

## THE RECALL GEARS UP

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How Davis can fight  
the rising tide

By Harvey Rosenfield

To fight his recall, Gov. Gray Davis seems to be repeating the very mistakes that got him into this predicament in the first place.

Davis' public support began to evaporate two years ago, when he spent more energy raising money for his re-election than on solving the energy deregulation debacle and the subsequent economic disaster. His stature as a leader was further undermined by the perception that he wouldn't defy the big business and Wall Street firms behind the energy crisis — constituencies whose money he would need for a presidential run.

Then, his intervention in the Republican gubernatorial primary last year — attacking former Los Angeles mayor Richard Riordan — allowed Davis to select a laughably weak opponent, but this cynical political strategy alienated many voters.

Davis apparently hasn't learned from experience. His anti-recall campaign is soliciting money from special interests. He's refusing to take tough actions that might offend his donors. And he's focused on vilifying the political players behind the recall rather than defending his unexpected candidacy. If he keeps this up, he'll be looking for another job.

To survive, Davis must stop behaving like a career politician and start acting like a leader. He must offer the voters compelling reasons to keep him on for another two years. Here's what Davis (or else his replacement) must do to win:

**Provide a road map for the state's fiscal future.** California's current budget shortfall masks an even larger threat: There is no money and no plan to restore the quality of life that once made California the Golden State.

To address this first requires challenging powerful interest groups and their political cronies. Thanks to loopholes in Proposition 13, large commercial property owners don't pay their fair share of the government services — schools, highways, hospitals, housing — that they rely on. Cost: at least \$3 billion a year. And insur-

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ance companies pay no state income tax in California.

Government waste and cronyism sucks out billions more. For example, at least four state agencies deal with health care, spending for which is poorly coordinated; a 2002 study for the California Health and Human Services Agency concluded that reforms could save California \$70 billion over ten years — and insure every resident. While the state suffers, friends and relatives of lawmakers are paid up to hundreds of thousands of taxpayer dollars to serve on obscure and often useless state boards and commissions.

Taking on these items — sacred to some of Davis' constituencies — would ease the state's budget morass. With the extra revenue, the governor could cancel the astounding vehicle license fee increase and even give homeowners a modest break to offset the residential property tax bubble.

**Fight political corruption.** Sacramento was a cesspool long before Davis took office, but the level of corruption in the Capitol has soared in recent years, to the point where the people who really make the laws are the lobbyists. Example: Los Angeles-based Mercury Insurance Company is sponsoring

legislation to authorize surcharges of up to \$526 on motorists who are buying auto insurance for the first time or after a lapse in coverage. Proposition 103, approved by voters in 1988, bans such surcharges, but Mercury has ladled over \$1.2 million into the campaign coffers of more than 60 lawmakers to grease its passage (plus \$220,000 to Davis since 1999). That's why Democrats and Republicans are putting aside principle to ramrod the bill to the governor's desk. Davis can demonstrate his personal integrity and protect motorists' pocketbooks by refusing insurance company donations to his anti-recall campaign (\$100,000 so far) and vetoing the bill.

**Pioneer a pocketbook issue.**

Thanks to Enron and electricity deregulation, Californians now pay 40 percent more for electricity than just three years ago, and polls show the public blames Davis. His solution — a push for refunds from the wholesale energy companies — is mired in litigation.

But Davis could lower electricity rates immediately if he instructed his appointees on the Public Utilities Commission to reverse course on ratepayer bailouts of the state's utility companies. PG&E and Southern California Edison sponsored and reaped the rewards of deregulation — more than \$20 billion. When it collapsed, they convinced Davis' PUC to order residential and small business ratepayers to pick up the tab — an estimated \$850 per customer. A federal court has already ruled that the bailouts are illegal. Instead of fighting the decision, Davis should embrace the opportunity to cut utility rates.

Like most aspects of democracy these days, the recall effort directed at Davis is a highly partisan effort orchestrated by a few people. But the process is fair because the voters will have the final word. What they say will depend on what Davis does from this moment on.

*Harvey Rosenfield, president of the Foundation for Taxpayer and Consumer Rights (www.consumerwatchdog.org), authored California's Proposition 103.*

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