

*“Serving the Dairy Industry for More Than 50 Years”*

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Governor Arnold Schwarzenegger  
State Capitol Building  
Sacramento, CA 95814

**RE: Tax Hikes or Fee Increases – All the Same for California Small Businesses**

Greetings Governor Schwarzenegger,

Milk Producers Council is a trade association representing dairy families throughout California. On behalf of these families, we would like to express our strong concern about a growing trend among California state bureaucracies: **drastic increases in regulatory fees imposed on small businesses.**

In recent months, the California Legislature and your office have spent countless days putting together the Fiscal Year 2008/09 California Budget. As small businesses just trying to survive in this sagging economy, the dairy families we represent greatly appreciate work by you and others in trying to prioritize State spending and approve a budget that doesn't add to the already-excessive tax burden placed on California small businesses.

***However, while those in elected offices may take credit for protecting the taxpayers, government bureaucracies fill that void.*** This week, the State Water Resources Control Board (SWRCB) approved a **40 percent increase** in the annual fees to be paid by dairy families in California! **You can call it a tax or a fee – it has the same effect.** This economic climate is already tough for employers – as well as their employees – and these dramatically increased fees place an even heavier burden on the state's small businesses.

We know you understand the importance of keeping money in the hands of the people, allowing the citizens, not the government, to keep more of their own money. However, when you allow government bureaucracies, like the SWRCB, to raise their fees by 40 percent, **you are overseeing a tax increase on your constituents.**

These problems start when the Legislature provides these bureaucracies with almost no spending restraint. Within the SWRCB, there is a “Waste Discharge Permit Fund” that pays the expenses incurred in administering various water permit requirements, including the permits that apply to dairy families. This account is almost completely funded through annual fees paid by California employers, including dairies. According to the SWRCB, the expenditures paid from this fund in fiscal year 2005-06 were about \$59 million. That is expected to balloon to an unbelievable \$80 million in the upcoming year. **Who pays for this huge escalation in costs? Dairy families and other California employers!**

Bureaucracies must be accountable to the people, and it is our representatives in Sacramento that must help the people keep these agencies in check. **Why have SWRCB's costs grown out of control? At what point will our elected officials acknowledge that California's small businesses cannot continue to carry massive, out of control bureaucracies on our backs?**


This is not an attack on the validity of a State Water Resources Control Board. Dairy families – like any other families – believe in vigorously protecting our valuable water resources. To that end, dairies have collectively spent millions of dollars in infrastructure improvements that protect these valuable water resources. That work will continue. However, the government agencies owe it to the representatives in Sacramento – and ultimately the citizens of this State – to do their best in constraining costs. **A 35 percent jump in expenses over the past three years is completely irresponsible, and the people deserve accountability.**

We ask that you explore these dramatic increases in costs at the SWRCB. The dairy families we represent look forward to hearing from you on this vital matter. If you have any questions, please feel free to contact Robert VandenHeuvel at (909) 992-9529.

Sincerely,



Sybrand Vander Dussen  
President



Robert VandenHeuvel  
General Manager