June 20, 2012

Gov. Jerry Brown
State Capitol Bldg.
Sacramento, CA 95814

Via Fax: 916 445-4633

Dear Governor Brown,

Every dollar of taxes evaded by large corporations is another dollar taken from our schools, fire and police protection and support for the impoverished and disabled. We ask you to set an example by avoiding taxpayer-funded purchases from out-of-state companies lobbying to protect a state loophole that lets them pay less than in-state companies.

A ripe target is toilet paper and other janitorial products made by Kimberly-Clark, whose brands include Scott paper products and Kleenex. The global company is part of a corporate coalition battling against efforts to use the same corporate tax formula for all companies that sell products in California, as almost all other major states do. California's "take-your-pick" loophole costs the state up to billions of dollars a year. Constituents would both smile and applaud your vow to "Flush Tax-Evader Toilet Paper."

We also ask you to avoid taxpayer purchases of Chrysler and GM autos and trucks for public safety and other state uses, as well as cardboard products from International Paper Co. They are in the coalition with Kimberly-Clark formed specifically to lobby against a legislative proposal and likely ballot initiative that would close the tax loophole.

A Consumer Watchdog analysis of California purchases through a state purchasing coalition in the current fiscal year shows that Kimberly-Clark products account for 20% to 25% of total "janitorial supply" orders, and over $1.6 million of taxpayer spending a year through the contract. Only some counties cities and state agencies use the purchasing contract, so the statewide total would be several times larger than $1.6 million. However, the proportion of purchases is likely to be similar statewide.

State universities, local police departments and other agencies that buy Kimberly-Clark products are also buying themselves deeper cuts in essential services. There are plenty of other choices on the market.

The Consumer Watchdog analysis looked at Department of General Services order lists for janitorial supplies during two quarters of 2011. On an annual basis, orders for Kimberly-Clark products would total more than $1.6 million. (see Excel charts for Q1 and Q3 of the 2011-12 fiscal year linked below.) Independent purchases by many cities and counties would greatly increase that

figure. For instance, Los Angeles, San Diego, San Francisco and Sacramento cities and counties do not list any purchases through the state contract.

Kimberly-Clark sells 122 products to state and local governments through the janitorial supply company Waxie, which has a multi-state contract for cleaning and janitorial supplies under the Western States Contracting Alliance. Purchases included several counties, small cities, state universities, transit and police agencies.

Chrysler and General Motors recently lost out on a large state contract for nearly 2,000 police cruisers and utility vehicles, for the California Highway Patrol and other agencies. The contract, worth close to $50 million over two years, went to Ford, which is not part of the pro-loophole coalition.

The state's vehicle contract sets a good precedent for putting taxpayer money in the right hands—a major automaker willing to pay its fair share of California taxes.

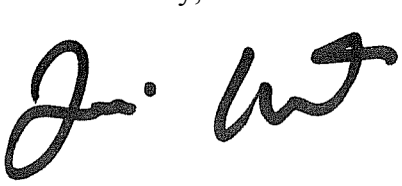
The fourth member of the coalition is International Paper, which makes cardboard products including the boxes in which California produce is shipped. Its products, usually unbranded and sold through middlemen, are hard to track. A fifth member, Proctor and Gamble, dropped out of the coalition following public protests against its products.

The two efforts to close the loophole are legislation by Assembly leader John Perez (AB1500) and a ballot initiative sponsored by tech multimillionaire Thomas Steyer, who fought successfully in 2010 against Proposition 23, which would have benefited oil companies. The proposals would shift California to the corporate tax system used in other major states--a single tax calculation that is primarily dependent on the amount of sales a company made in California.

Kimberly-Clark and its allies formed the deceptively named "California Employers Against Higher Taxes" coalition specifically to fight such efforts.

Thank you for your consideration of this request, which would benefit California taxpayers as well as companies willing to pay their fair share of state taxes.

Sincerely,



Jamie Court Judy Dugan

Attachments:

Here are links to quarterly spreadsheets of Kimberly-Clark purchases through state purchasing contracts, listing the products purchased. (remove the filter to see purchases from all companies):

Q1, 2011-2012: http://www.consumerwatchdog.org/resources/taxevadertoiletpaperq1.xlsx

Q3
http://www.consumerwatchdog.org/resources/taxevadertoiletpaperq3.xlsx

See Consumer Watchdog's analysis of federal tax evasion by members of the pro-loophole coalition at http://www.consumerwatchdog.org/newsrelease/out-state-corporations-fighting-keep-tax-loophole-are-top-us-tax-dodgers-says-consumer-w

See Consumer Watchdog's news release on the state police cruiser contract at http://www.consumerwatchdog.org/newsrelease/consumer-watchdog-cheers-state-contract-award-buy-ford-police-vehicles-shutting-out-tax-