

Why Prop. 13 won and what it means

by Mike Miller

The tax revolt in California needs to be thought of with a framework of three different time periods. The first is the period in which it looked like the Legislature might provide adequate relief. The second is the post-qualifying and pre-election period—that is, after the Jarvis-Gann initiative qualified for the ballot and before the electorate approved it. The third is the post-passage of 13 period.

In the first period, one of the largest coalitions in California political history endorsed a campaign for the Tax Justice Act of 1977. Authored by liberal State Senator Nick Petris, the bill had the support of labor, seniors, liberals, local governments and many others. Co-sponsored by the Citizens Action League and the California Tax Reform Association, the bill called for relief to homeowners and renters who paid an unfair percentage of their income in property taxes. The mechanism for relief was a “circuit breaker” to be paid for through a combination of additional income tax brackets on the wealthiest six percent of incomes in the state, closing of corporate and capital gains tax loopholes, and use of a portion of the state surplus. Passage of the bill required a two-thirds vote of the Legislature.

The bill was introduced at a time when property tax assessments in California were skyrocketing—and tax rates weren’t coming down to balance things out. In addition, there was a large and rapidly growing state surplus which came about as a result, generally, of inflation. In particular, as people got cost of living increases in pay they moved up in the state income tax brackets and contributed a larger percentage of their incomes to state revenues. (California’s income tax is progressive until \$15,000 for individuals and \$31,000 for joint returns.) Population growth also led to increased revenues from sales and income taxes. Each year, for the last four years, as assessors

released their new rolls, sporadic tax revolts would arise in the communities that were newly assessed.

In this early period of the revolt, Jarvis and Gann were already separately pursuing the initiative route. Their first time out they did not get the signatures necessary to qualify the initiative for the ballot. As June 6 made clear, the fortunes of Jarvis and Gann radically changed in a relatively brief period of time.

Why Tax Justice failed

To discover why the Tax Justice Act failed, one must look to the California Legislature and Governor Brown. California is now a Democratic Party state. The Dems have over two-thirds of the votes in the Assembly, are one vote shy of two-thirds in the Senate, and have elected a nationally known and locally popular Governor. The state has little political machinery in the style of the Daley machine; state campaigns are largely won in the media. Roughly 25% of those eligible vote in most elections. To win statewide, one must hold his party’s “normal” vote and win a big portion of the state’s “independents”—largely concentrated in middle to upper-middle income groups.

Governor Brown has no challenge from the left of his party and is widely known to have Presidential aspirations. While now popular in the polls, the Governor won his first election by only a narrow majority of the vote. In the coming race he is challenged by a Republican moderate; it was a moderate who almost beat him four years ago.

In the Legislature, liberal Democrat Leo McCarthy runs a tightly organized State Assembly, and delivers when he wants to. In the Senate, there is less organization, and a rivalry between key Democratic Senators became a factor in the tax relief/reform fight. The Republicans in California have been in serious trouble for some time. In the tax fight,

they saw an opportunity to strengthen their hand.

The first obstacle to the passage of SB 154, the Tax Justice Act, was Governor Brown. He made clear that he would not support the additional income tax brackets. Instead of a head-on fight on this issue, the coalition decided to concede on the income tax brackets and find alternative sources of revenue to finance the bill. In addition, even the supporters of the “circuit breaker” made clear that no tax relief bill would pass without some lid on local government spending. As a result, compromises were made that weakened the enthusiasm of critical parts of the coalition. To be specific, the addition of an increase in the fee for new vehicle registration led to loss of support from the AFL-CIO, because many members buy new cars, and from farmers, because they buy new farm equipment. The acceptance of a lid, even though a relatively benign one, led to dissatisfaction among public employees. And a change in the property tax from the date of sale of a new house to the date of completion of construction caused grumblings in the Building Trades.

In addition, informed sources told CAL that labor would not go to the mat with the Governor because its big fight with him had been on the environment and he had given on some of the issues. Further, some of the public employee unions were heavily involved in Brown’s last presidential campaign. CAL took the position with labor that the unions would have to deliver on the lid issue; CAL was primarily speaking for relief for its homeowner and tenant members and constituency.

Despite its initial problems, the Tax Justice Act represented a major redistribution of income from the rich to the middle and lower income people of the State. It passed the Senate, as did a rival bill. The Assembly passed its own version of a circuit breaker. The bills went to a Conference. The first conference report

failed to get a two-thirds vote in the Senate. There was a second conference. The second conference committee's report also failed to get a two-thirds vote. The Republicans in the Senate caucused, and held a tight rein on the one-third plus one votes. And the Democrats were unable to present solid support for the bill. Had the Democrats been solid, it is possible that the Republican bloc could have been broken. Despite the coalition, despite massive grass-roots lobbying, despite taxes being the big issue of the legislative session, there was no bill.

The lesson of the Tax Justice Act campaign for CAL—and for other statewide citizen organizations—is not to get too close to the politicians. CAL brought thousands of people to Sacramento for Lobby Day but then allowed itself to be hooked into the legislative process too much when it should have been raising more hell in the districts instead.

On to the ballot box

Defeat in the Legislature did not defeat the people of California. They turned en masse to Jarvis-Gann. With past failures behind them, the two joined forces and started a new initiative drive. Homeowners who wanted relief turned to them. Within the Citizens Action League, many members who supported taxes based on “progressive” principles began circulating Jarvis-Gann petitions. They wanted relief, and didn't care how it came. The choice for many was to lose their home or significantly cut back on other expenses.

Initial conversations on the part of CAL leaders and staff with people who shifted to Jarvis-Gann went something like this: “Aren't you worried about cutting your services?” “They don't have to be cut, the money can come from fat and waste.” “Don't you think that this amount of money will cut into programs and services?” “That's what the politicians say; I don't believe it.” “What about jobs for public employees; do you want them to be cut?” “They're too lazy as it is now; let them earn a living like everyone else.”

A tremendous momentum developed for Jarvis-Gann. When it qualified, the politicians were astounded. As a matter of fact, many of them called the tax relief issue “overrated.” When the Legislature failed to enact relief, there wasn't an outpouring of letters to legislators. What the politicians didn't understand was that the people gave up on them and decided to take their tax destiny into their own hands.

The Jarvis-Gann campaign was itself a tremendous grass-roots effort. It obtained 1.2 million signatures to put Proposition 13 on the ballot—almost twice the number of signatures needed. With the qualification of 13, the politicians began to act. The Governor called a special session of the Legislature, and SB 1 (the Behr bill) and an accompanying State Constitutional Amendment allowing for a “split roll” was put on the ballot. This was Proposition 8.

Now the second phase of the tax fight in California began in earnest. Against 13 was a coalition that included big business, all of labor, most good government groups, most local and state politicians (including the Governor), and most of the media. For 13 was a mass movement of angry citizens, organized apartment house owners, realtors, and others in smaller businesses, and some Republicans. CAL did not take a position.

The Jarvis forces ran a masterful campaign. They predicted that the politicians would run a scare campaign—“save your services; save the state from economic disaster, etc.”—and that's exactly what the “No” campaign did. It backfired. Prop. 8 was viewed by the people as a trick. “If the politicians wanted to provide relief, why didn't they do it in the regular session? Why did they sit on the state surplus for so long?” Making matters worse, in the waning days of the campaign, the Los Angeles County Tax Assessor called for a roll-back of assessments. He was immediately supported by Governor Brown. The reaction of the people was anger and ridicule. “How stupid do these politicians think we are? They're just doing this to get us to

vote against 13. After the election we'll find out that the roll-back proposal is unconstitutional.”

By the last week of the campaign it was clear 13 was going to pass. The Governor abandoned his “No on 13” efforts and returned to Sacramento. Panic began to emerge from school districts, county and city leaders, and others whose revenues come largely from the property tax. Indeed they said (and no doubt many believed) all the things Jarvis predicted they would say. The more they said them, the more the people scoffed. The simple fact, glaringly apparent in the campaign, is that the people don't believe the politicians, and don't have any confidence in the government. When provided a concrete opportunity to directly act in their own economic self-interest, they took it.

Interestingly enough, the assumption that a big media campaign would turn the undecided vote against 13 in the last three weeks of the campaign turned out to be vastly inaccurate. And the reason is important: there was a mass movement for 13 and it developed momentum in reaction to the “No on 13” campaign run by the California political and economic establishment. Now the “No” campaign technicians say they could have won had the campaign been run differently, but I am convinced even a “No” campaign that didn't make so many mistakes could not have turned the vote around. If the “No on 13” campaign said anything, it is that the major organized groups of California cannot deliver the electorate—including many of their own members. Almost one-half of public employee families voted for 13! The “No” coalition had everything—except two out of three of the voters!

The aftermath

The passage of 13 forced the Legislature to deal with its huge surplus—by June, over \$5 billion. And, lo and behold, by making all the surplus available to local property tax dependent districts, most of the dire consequences predicted pre-election day have not materialized. Cuts have occurred. Wage and hiring freezes

have been instituted. But the doomsday predictions have simply not come true. The result is even less confidence in what politicians say.

As cuts do occur, they are fought on an individual basis. As organizers we know that this is the way things are typically and initially fought. And there is enough slack still in budgets for concessions to be made where substantial resistance to a cut emerges. But in a setting of a shrinking pie, the possibility of divide and conquer—playing one group against another—rises dramatically. That is now going on. When asked where cuts ought to first come, a majority of those polled say in welfare. Yet most of the people supporting 13 did not think cuts would have to take place at all. They believe that cuts can start in “the fat.” Indeed, a typical feeling as cuts take place in programs that people want is that the politicians are punishing the people for voting for 13. Jarvis and Gann are saying that. So are a number of community organizations. So are some public employee organizations.

What then for the future? I don’t hold much hope that the cuts in revenue will lead automatically to increases in efficiency. The people who are administering the cuts are the same people who operate the bureaus and agencies.

While the people may not believe the politicians, the truth is going to come home. Public services and public employment are in for hard times—in California and elsewhere. Wage freezes and speed-ups are likely outcomes of Prop. 13. The image of the overpaid, non-productive public employee will be used by politicians at the negotiating table with public workers. “Contract out” will probably increase in the name of efficiency. Lower paid workers will provide services to people who got them previously from a public agency.

Also in for hard times are low to middle income groups who are beneficiaries of services now being cut or frozen. Other services that were free will now have fees, with present fee services increasing in price. This is happening already—in San Francisco, for example, where the Citizens Action League, Communities of

the Outer Mission Organization and an ad-hoc “cut the fat, not the program” group are fighting cuts in—and the institution of fees for—emergency health care services.

It is likely to be a while, however, before the impact is felt very widely and before alliances begin to shape up on a larger than local and single service basis. While community organizations can probably win initial fights as money is shifted from one part of a budget to another to meet organized demand, they will find themselves increasingly forced to deal at the state level for relief of community problems.

There are, however, some organizing opportunities in 13. First, public employee organizations can begin to take specific action on quality, efficiency, appropriateness and effectiveness of service issues. They can do this at the bargaining table and in alliances with community groups. The public employee is the “face” of the bureaucracy that the public meets every day. Everyone has a story to tell of public worker inefficiency, arrogance or incompetence. Whether it is their fault or not, the visible public employee gets much of the blame. His/her unions/associations are going to have to do something more than buying ads in the news media to turn this around. It will take specific workplace and community organizing to challenge some of the management prerogatives involved in these issues.

Second, there is a major handle in 13 that could lead to a statewide reform effort. The \$7 billion property tax relief in 13 goes to all property owners. Most estimates agree that about \$4 billion goes to commercial and industrial property, including apartment house owners. Furthermore, since property can be reassessed when it is sold, and since individual homes turn over more rapidly than commercial/industrial property, the percentage of relief to homeowners that comes from 13 will decrease over time.

The “No on 13” campaign wasn’t able to make much of this argument in the election for two reasons. It couldn’t attack big business because big business was part of its

coalition. Even more important, the voters simply weren’t buying. People would say, “Yeah, we know that business is going to get a break—but so what? If they didn’t get the break, they’d find some other way of getting their money.” The most favored tax in California is the sales tax. Again the reason is illuminating of the feelings of the people toward their government and politics. The basic reason for support is that it’s hard to cheat on the sales tax; when the cash register rings, you pay the tax. The people know that the so-called progressive income tax affords the rich lots of mechanisms for evasion.

Already people are pushing for a “split roll” Constitutional Amendment to allow commercial and industrial property to be taxed higher than residential. The Governor says the effort is “premature.” He may be right. He is now out-Jarvising Jarvis in the implementation of 13. His political agility continues. He satisfies his big business constituency and receives overwhelming support from labor, including public employee unions. The people may simply see any split-roll effort as another attempt by the Legislature to turn around the will of a two to one majority. If an initiative is launched, it is going to be difficult to win this year. Big business is the beneficiary of a “windfall profit” in its reduced property taxes. Even though it opposed 13, it’s not likely to support an effort to take away its benefits.

On the positive side, there may be an opportunity for the people to begin to get some increased control over their government. There will be organizing opportunities. Public employee unions and associations have an opportunity to redefine their roles and develop community alliances. In the absence of some of these developments, government will remain one of the enemies of the people. As long as it is viewed this way, the use of government to control business abuse, provide needed services, or offer alternative ownership of “the means of production” will remain suspect in the eyes of the majority of the people.

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In the wake of Proposition 13 . . .

by Madeleine Adamson

Proposition 13 seems to be all things to all people—with diverse interests reading into the vote whatever they want it to be.

Right wing organizations like the National Tax Limitation Committee and Liberty Lobby see it as an opportunity to sell their traditional “less government” platform as a solution to high taxes. To them, passage of Prop. 13 was an anti-government vote.

Liberals, on the other hand, like

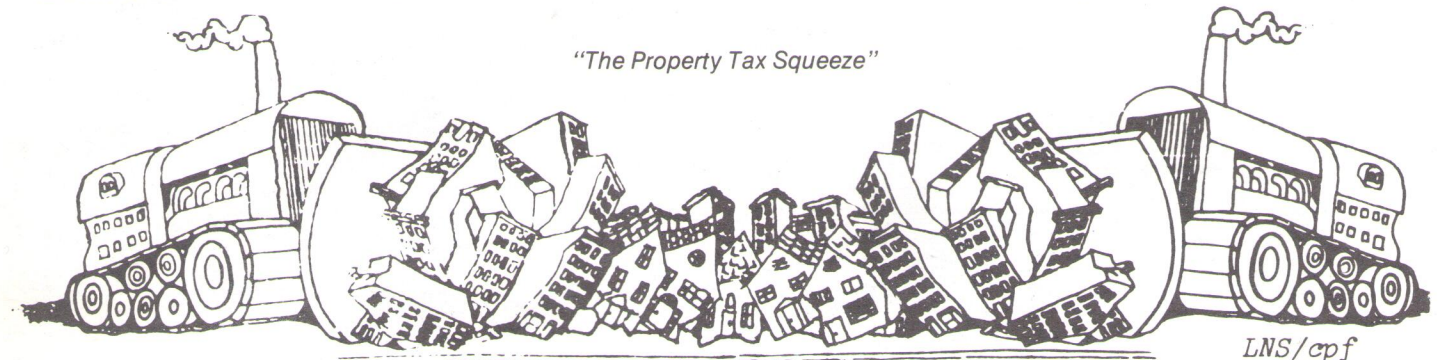
them, the vote on 13 was an anti-tax vote.

Public employee unions see Prop. 13 as a battlecry and the California vote as an example of misdirected anger. American Federation of State, County and Municipal Employees (AFSCME) President Jerry Wurf told the union’s June convention, “As taxpayers, we share the public’s anger. But as government employees, we suffer the most severe consequences. . . . We must use our political clout to resist the tactics of

to see cuts in schools. But, and this is important, 70% of those who voted for 13 felt they could lower their property taxes without reducing services at all. Almost half the Jarvis voters also felt they could get lower property taxes without any increase in other taxes while 37% were confident neither reduced services nor increases taxes would result.

An eye to the future

Whatever the intent of the voters, the important question now is to



James Farmer who now heads the Coalition of American Public Employees (CAPE) proclaim, “Perhaps we have found a cause at last” that may rejuvenate the liberal alliances of the past. They like to see the message of California voters as a cry for “fair play.”

The Republican Party sees a glimmer of salvation in Prop. 13 and is planning a national blitz with “tax squads” crossing the country in two charter jets drumming up support for the Roth-Kemp federal tax cut bill. To

scapegoating and buck-passing which have helped make more than one political career.”

There is no doubt some truth in each perspective and in the long run the outcome of the taxpayers revolt will depend on which group is most successful in capitalizing on taxpayer frustrations, not on what the California voters really meant to say. Even so, the polls of Californians leaving the voting booth are instructive. The Los Angeles Times survey found that the principal reason voters supported Prop. 13, besides the obvious—wanting lower property taxes—was “it’s a way to show what people want.” Forty percent of Jarvis supporters chose that answer when offered a list of important reasons for voting for 13. Twenty-two percent replied “government provides many unnecessary services.” And the most unnecessary service of all was welfare according to 69% of Jarvis supporters. Parks and recreation ran a distant second with 33% putting it on the acceptable cut list. Only 18% responded that they would be willing

what extent the success of Proposition 13 poses a serious threat to progressive organizing efforts and to what extent, if any, it can be used in our favor. There aren’t any simple answers.

It is clear that as a result of extraordinary media hype and well-financed “new right” organizing efforts, tax limitations will be considered in a large number of states this fall and winter. (The chart on page 10 shows what is happening in each state so far.) But not all the proposals are as drastic as Jarvis-Gann. Many tie tax increases to increases in personal income, or state economic growth, or inflation; they hold down taxes but do not roll them back and slash local revenues as Jarvis-Gann did. Where the more benign form of tax limitations are proposed, the threat of massive cutbacks impacting on low to middle income constituencies is mitigated. The real threat is simply that the new right forces are attempting to organize the same constituency that citizen action groups embrace and the long

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This special issue of JUST ECONOMICS was supported by a grant from the Youth Project’s Tax Advocacy Program. The program provides funding to several state and local tax reform campaigns and is interested in hearing about what other organizations are doing on tax issues, particularly efforts to maintain or increase revenues for essential services such as schools. Contact: The Youth Project, 1000 Wisconsin Avenue N.W., Washington, D.C. 20007.

term implications obviously go beyond any specific tax fight.

But playing up the attack from the right does not seem like a particularly wise course. Telling middle-class voters they are being duped by right wing demagogues is more likely to provoke defensive reactions than widespread defections.

The key for citizen action organizations that get involved in the tax fight is to take the offensive and refocus the issues. Bob Creamer of IPAC calls it "managing the debate." With the right wing already successfully equating tax limits with tax relief it is important to find new ways of framing the issues so that, for instance, business is seen as the enemy as much as government. We should develop ways of exposing business waste and inefficiency; people should be incensed over ridiculous corporate salaries the way they are over public employee wages. At the same time, however, we must be willing to admit that there is waste and excess in government. Our allies in the public employee unions may be reluctant to join in this offensive but as Mike Miller argues persuasively in his analysis of the California situation they will be missing the boat if they don't.

Raising the real issue

The real debate ought to be over who benefits and who pays—in other words, over the distribution of the tax burden and tax relief benefits. Pointing out that the bulk of the benefits of Proposition 13 go to business seems to help cool much of the enthusiasm for that approach. A poll by Public Interest Opinion Research found that 58% of those questioned no longer favored a Jarvis approach if they discovered that 70% of the tax relief would go to corporations rather than homeowners.

A steady focus on redistribution issues also insures that we don't lose sight of the lower income end of the broad spectrum of our constituency. It is probably fair to say that most Californians didn't cast their vote for Prop. 13 out of racist or anti-poor people motivations. But the leaders of the Prop. 13 forces are

less than subtle about their beliefs. "We think that the most important thing in this country is to preserve the right to own private property," says Howard Jarvis. "And the people who wrote the Constitution said the people of the United States shall be protected in their life, liberty and property. They didn't say life, liberty and welfare, or life, liberty and food stamps." As the tax revolt spreads, low-income people will be increasingly victimized unless they are well organized and maintain close alliances with the working class constituencies that make up most of the citizen action organizations' memberships.

Taking the offensive means offering alternatives to tax limitation, not just opposing it—and those alternatives must include tax relief along with reform. Mike Miller and others argue that passing a decent relief package will take the wind out of the Prop. 13 sails. Tax relief is not a symbolic issue like abortion or busing, Miller contends. People in California understood the dollars and cents of the tax issue very clearly and passage of the circuit breaker would have pre-empted much of Jarvis' support. The theory hasn't really been tested but in Michigan, which has one of the best circuit breakers in the country, a couple of tax limitation proposals will probably appear on the November ballot.

There are all sorts of possible reform proposals that citizen action groups might adopt ranging from taxing intangible property to stopping abatements to cleaning up assessment practices. The fundamental question, however, isn't what position to take, it's how to advance it.

It is certainly easy to be pushed into major tax campaigns these days either as a defensive move or an attempt to cash in on the mood of taxpayer dissent. But if anything comes through clearly from the stories in this issue of JUST ECONOMICS about Fair Share, IPAC and CAL's circuit breaker campaigns it is a sobering warning.

After major investments of resources and organizational energy over long periods of time, none of

these organizations was able to win a clear victory. If an almost million dollar operation like Fair Share can be stopped by a cantankerous governor, what can any of us expect to gain in the legislative arena?

Rather than jumping on the bandwagon of massive legislative and initiative campaigns for tax reform, perhaps citizen action organizations should explore other ways of simply "managing the debate"—such as Fair Share's lively campaign against tax delinquents or ACORN's campaign around taxing intangibles. It may be that we make a big mistake by turning to the legislature and playing by their rules. With distrust of politicians growing, we might do well to disassociate ourselves from them instead. Besides, it is becoming increasingly obvious that without demonstrated ability to affect elections, citizen organizations wield little power in legislative forums. If any good comes of Prop. 13, it may be that citizen action organizations will be forced to consider more carefully where their power lies and how to exercise it more effectively.

How Californians voted on Prop. 13

	percentage of YES votes
PARTY	
Republicans	78
Democrats	57
IDEOLOGY	
Liberals	45
Moderates	65
Conservatives	82
PROPERTY	
Owners	72
Renters	47
INCOME	
Under \$8,000	55
\$8,000-\$15,000	67
\$15,000-\$25,000	68
Over \$25,000	63
PUBLIC EMPLOYEES	
In Household	43
Not in Household	74
ETHNIC	
Blacks	42
Whites	67

Source: Los Angeles Times—Channel 2 survey