

## TAX REVOLT

# California in chaos in wake of passage of Jarvis-Gann

By Eve Pell

**S**TOP THE POLITICIANS FROM GOING TO Paris and Hawaii!" "The politicians put Proposition 8 on the ballot. The People put Proposition 13 on the ballot. Who do you trust?" With slogans like these, fueled by resentment of ever-escalating property taxes, California voters, 60 percent of whom are home owners, swept Proposition 13 to victory and narrowly defeated Proposition 8, a compromise tax relief initiative belatedly devised by a liberal Republican senator.

Jarvis-Gann will cut property taxes on all real property in California from 4 percent of assessed value to 1 percent. Value will be assessed on the basis of 1975-76 prices. Since some property has increased in value at 20-percent a year, the roll-back means a dramatic additional reduction. When property is sold, it will be reassessed at 25 percent of the actual sale price. State taxes cannot be raised without a two-thirds vote of the state legislature.

## The aftermath.

In the aftermath of Proposition 13 chaos reigns. No one can answer the important questions: How many jobs will be lost? Which services will close? What does the vote mean?

Day and night meetings go on up and down the state: administrators wonder how to cut their budgets; unions fight to retain jobs and wages; workers debate whether to accept salary cuts in order to hold onto their jobs.

The governor and the legislature must complete a plan for allocation of the state's estimated \$5.8 billion surplus by July 1, the date Proposition 13 goes into effect. "It's complete pandemonium in Sacramento," says Cary Lowe of the California Public Policy Center. "You can't even talk to anyone up there."

It is possible that Howard Jarvis' initiative will be declared unconstitutional. Five lawsuits were filed almost immediately after the measure's two-to-one victory by teachers' unions, school districts and officials, eight counties, and two Sacramento residents.

Among the lawsuits' claims: Proposition 13 denies equal protection of the laws because homeowners who buy property after 1976 will pay more for the same services than those who bought before. Also, the suits claim the proposition is an illegal revision of the constitution, not an amendment, and that it covers more than one subject, which is against California law.

Attorney General Evelle Younger, who won the Republican gubernatorial primary, considers Proposition 13 constitutional and will defend it. The California Supreme Court is expected to act speedily, within a few months. No less than four justices must face the voters in November; their votes will be subject to careful scrutiny by the electorate.

In the meantime, layoff notices keep coming. "Each of you must appear personally to pick up and sign for your pay check on Friday. In exchange, you must

sign for and pick up the official layoff notice," says the letter sent to the staff of the Santa Clara County Public Defender's office. In other offices, employees search for their names on computer-printed lists posted on bulletin boards.

Generally, affirmative action has given way to seniority. A Los Angeles survey showed that about 62 percent of some 8,300 laid-off workers there are minority members; about 28 percent women.

While the total rendered jobless by the Jarvis-Gann initiative will probably not approach the 450,000 predicted before the election by management experts at UCLA, the numbers grow daily. Assembly Speaker Leo McCarthy expects at least 75,000 local government employees to be laid off in the next few months.

Services too are shutting down: summer schools in most areas, health centers, new admissions to city hospitals. Freezes on overtime have reduced the hours some public facilities remain open, and the deputies available to staff jails.

San Francisco declared a state of fiscal emergency June 12, giving the mayor and department heads special powers to reduce expenses.

Many community groups that provide health care, legal services and counseling in poor and minority communities must also cut back severely because they depend on federally funded CETA workers hired through county-administered contracts. With the end of county funding, the groups lose their eligibility for CETA workers. Thus Centro Legal de la Raza in Oakland's Fruitvale area will lose seven people, and must reduce the number of cases it can take per month by about 100.

## Did voters want services cut?

Was this what the voters wanted? No one can say for sure, but two differing strains of opinion emerge. According to a *Los Angeles Times* poll, 71 percent of voters for Proposition 13 did not intend to vote for a cut in county services.

"The voters thought they'd have more control over their government and that it would cut out new cars for supervisors and trips to the Bahamas for the mayor," says a nurse recently laid off from San Francisco General Hospital.

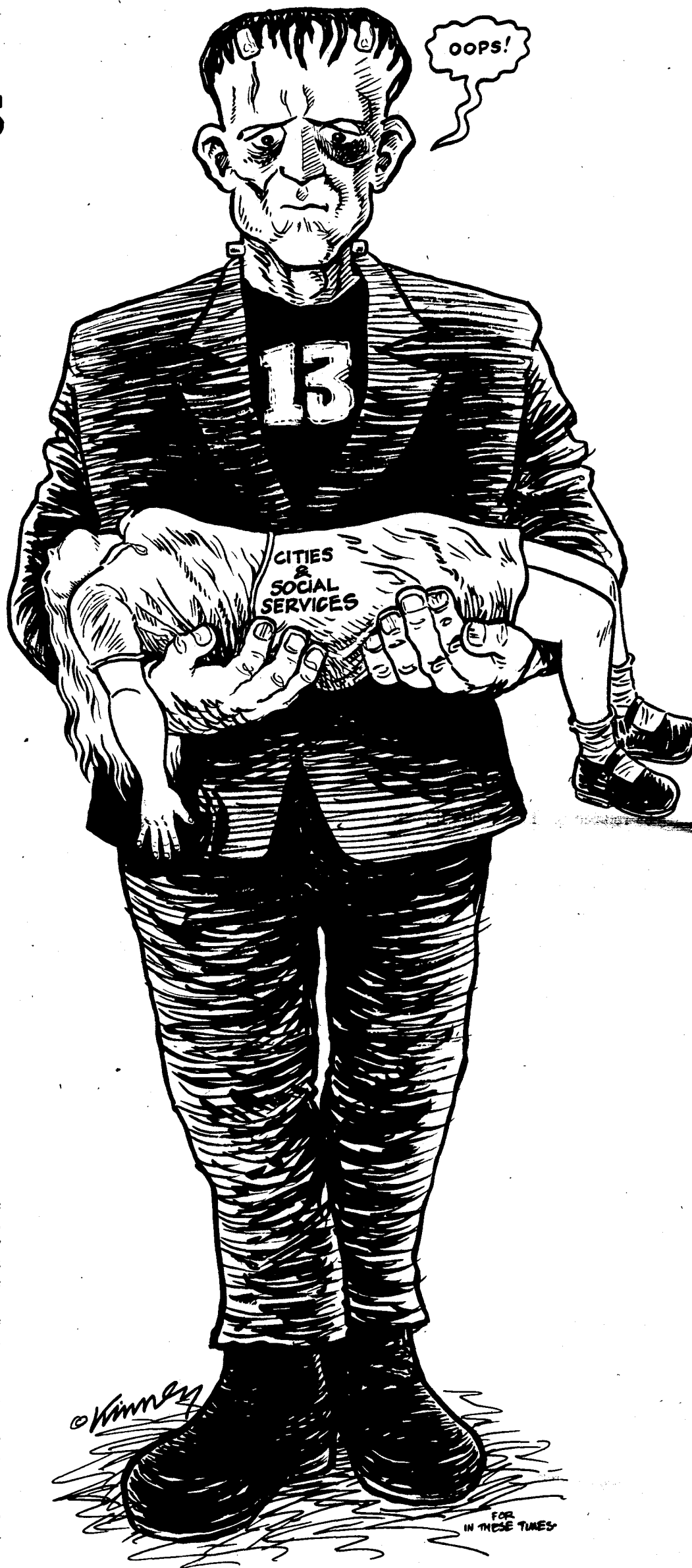
But the second view holds that voters really had it in for public employees and welfare recipients.

"The message wasn't just tax reform; they didn't like the public servants," says Emalie Ortega, a lawyer in the Santa Clara County public defender's office. "It hurts that they went to the polls with such vindictiveness. As a single parent with three kids, I'll be hit pretty hard."

Whatever the motivation of the voters, desperate workers faced with layoffs are reacting in different ways to salvage as much as possible.

Some are meeting to discuss the possibility of taking cuts in salary, job-sharing, or shorter work weeks in order to minimize the number of layoffs.

Some want their full pay and normal hours at the expense of others, like the deputies at the San Francisco jails who



Jay Kinney

What exactly did the voters have in mind when they passed a radical tax reform measure in California? Did they want service cutbacks, or were they just sending a message?



think social services for inmates can be dispensed with.

Others appeal to the public: 48 hours after Los Angeles mayor Tom Bradley announced that 1,000 police would be cut, the Police Protective League ran a full-page newspaper ad depicting the aftermath of a mugging and asking, "Where will the police be when you need them?"

Still others want to proceed at full staff on full salary with no cuts and run the offices until the money runs out, then simply close the doors.

It appears that non-unionized workers like public defender staffs, county counsel staffs, and county parole administrators tend more toward the voluntary salary cut and shorter work week method of keeping as many jobs as possible. Unionized workers seem less likely to go that route.

An eligibility worker in the Contra Costa County welfare office and member of Service Employees International Union (SEIU), explains her reasoning. Five years ago, she said, when a financial crunch threatened the staff with layoffs, they all agreed to accept lowered salaries. However, full funding unexpectedly came in at the last minute. "Then," she fumes, "management hired additional people, gave themselves an 8 percent raise plus a 5 percent management differential and a huge insurance policy. We remained at the 'crisis' wage. We have no reason to think that would not happen again. We don't trust them."

Workers in her office are demanding that no line staff be laid off, that rules be relaxed so those who wish leaves of absence or part-time work can be accommodated, and that if the pay is reduced, the hours be reduced proportionately. "There are a lot of ways to cut budgets without cutting people," she concludes.

#### Wait and see attitude.

Tim Nesbitt of SEIU Local 616 in Oakland says that counties should not act on layoffs until they know what they will be getting from the state surplus. "The Jarvis forces told people that there was enough money at the state level to bail out essential services," he says. "We should keep all our programs going right

along full budget in anticipation of the county's share of the surplus."

Nesbitt adds that in the meantime people should press for progressive tax reform.

Frank Gold, a high school teacher in Mill Valley, reflects the position of the California Federation of Teachers: Voters protested bureaucratic waste and highly paid managers, he says, but not the cop on the corner or the teacher in the classroom. Therefore, a major effort must be made to trim such items as travel and expenses for administrators, consultant fees, and other similar outlays while maintaining essential services. If, after those things are done, there is insufficient funding to pay for teachers' salaries and run the schools, the schools should not open in the fall until the money is made available.

As response to Proposition 13 develops, some coalitions between community groups and unions are being formed in Los Angeles and Alameda County.

Women's crisis centers, health clinics, groups of disabled and elderly as well as those that provide legal and youth services in Alameda County, for instance, have joined with SEIU to form the Labor-Community Coalition for Jobs and Community Services.

Members have pledged that no one organization will compete with any other, and that the community groups will not be pitted against county workers. They have asked for a 90-day moratorium on layoffs, and for the county supervisors to declare human services the top priority for allocation of funds. A demonstration June 13 drew 500 people, who cheered speakers demanding that corporations be taxed to make up for revenue losses. The county supervisors, scheduled to begin budget hearings that day, postponed their session.

School board leaders and labor leaders have proposed a ballot measure in November that would cancel Proposition 13's benefits for businesses and landlords, but Gov. Jerry Brown opposes it.

Says SEIU's Nesbitt, "We should have had our own tax relief bill on the ballot before; everybody realizes that now. We made a total mistake in California." ■  
*Eve Pell is a free-lance writer in the Bay Area.*

# Support grows for overall tax limit

By Mary Ellen Leary

**E**FFORTS TO SLASH PROPERTY taxes in other states are sure to ride on the wave of victory sparked by the "Taxpayers' Revolt" in California, where Proposition 13—the Jarvis-Gann initiative—won in the June 6 primary by a margin of two to one.

The initiative, which cuts property taxes statewide by an estimated 57 percent and sets new standards for the legislature in implementing it, is being viewed as a "new mandate against politicians and insensitive bureaucrats whose philosophy is 'spend, spend, spend, tax, tax, tax,'" Howard Jarvis said in an election night victory speech.

Jarvis, who with Paul Gann sponsored the measure, said the win was the beginning of a "national campaign against property taxes.... I am going to do everything within my ability to help people [in other states] get started."

Before the victory, however, organized efforts to ride the tax revolt were under way in at least 30 states. And the man behind much of that movement is Lewis K. Uhler, president of the National Tax Limitation Committee and an aide to Ronald Reagan when he was California governor.

Uhler views the acceptance of the Jarvis-Gann initiative as support for his campaign of several years to reform taxes. "California's response to Proposition 13 has given the tax-cut movement an explosive push. ... Voter power has become a reality overnight. People see they can do something effective after all: They can control government."

"This is just what we hoped for, to make people understand and support our program," he says. The emotional charge from Jarvis-Gann is bringing into Uhler's organization "key political figures with powers in their own states to draft and enact laws." Currently, he says, the National Tax Limitation Committee is involved in tax-reducing moves in about half the states.

In mid-May the committee held its first convention in Chicago. Thirty-eight states were represented and 50 legislators were present. Not only was there a universal commitment to halt the growth of local governments, Uhler says, there also was a consensus that the federal government's tax bite also must be muzzled.

"A new phenomenon has simply burst out, all across the country. A lot of folks will run with the same drive that fueled the Jarvis-Gann campaign here—the same anger at unjust tax burdens, the same annoyance at declining public service, the same frustration at a government that is so big it can no longer be contained."

The Jarvis-Gann style of simplistic slash and roll-back is not, however, the National Tax Limitation Committee's concept of the way to control over-taxation, Uhler says. A far tighter curb on the politicians can be devised with less disruptive immediate consequences. His group aims to fashion a better-structured, long-range mechanism to stop the jack-in-the-beanstalk growth government has exhibited the past two or three years.

Uhler backed the Jarvis-Gann measure as "the only game in town." But he is critical of its broad sweep and its aim at only property taxes. His committee seeks to put

a cap on all taxes by holding government revenues, or government spending, at a fixed ratio of total capital in the public's hands.

In general, the aim is to hold government about where it is in proportion to government's rake-off from the money the total public earns. The committee estimates that all taxes today pluck in the aggregate about 40 percent of America's earnings. Other economists fix the sum lower at around 35 percent.)

Restraint over future government growth can be achieved, Uhler contends, by fixing a formula into the Constitution.

Such a plan was proposed in California's Proposition 8, the Behr bill, which was rejected by a close margin.

Uhler's committee's hope of implementing something akin to the Behr bill limitations has not been deterred by the Proposition 13 victory. In fact Uhler expects to work in California in coming weeks to help bring about some new form of restraint on state taxes—perhaps as early as the November ballot.

"It is clear that some clean-up kind of legislation will be needed, once the dust settles and emotions are reduced," Uhler says.

"Oddly enough," he says, "our ideas, which shocked the state and got defeated when proposed in 1973, look pretty conservative today in the context of the Jarvis-Gann hatchet-job. We think there will be a lot of new interest in our plan to curb state government, perhaps in exchange for easing some of the problems caused by Jarvis-Gann."

Coincidentally, some business leaders are eyeing a measure for the November ballot that might tie a government spending curb similar to the Behr plan to a split property tax roll. In exchange for a constitutional limitation on future state tax collections it has been reported that some business leaders would accept a split property assessment roll that would levy higher rates on business and commercial property than on homes.

Were taxes on commercial real estate to be set at, say, twice the rate of homes, the additional money for local governments would ease the gap Proposition 13 created.

Businessmen are studying the move in anticipation of political outcry once it is realized that the larger share of benefits from Jarvis-Gann goes to corporations rather than home-owners.

An analysis by the legislature's budget adviser, William G. Hamm, showed that in the aggregate homeowners would receive about 36 percent of the total tax reductions, and renters about 19 percent, but commercial and agricultural properties (which change hands less often) eventually would reap a total of 45 percent.

Uhler says he believes that a long-range state revenue limitation written into the California constitution might be bartered for new taxes on business property—a politically acceptable exchange if tied to a promise that no new state taxes would come along later to hit business.

It will be weeks before such maneuvers sort themselves out, but the feeling is strong in many quarters that the concept of an overall tax limitation is not dead. ■

(©1978 Pacific News Service)

Mary Ellen Leary is a free-lance writer specializing in California politics and a former Nieman Fellow.

## But, Howard, you promised!



California's homeowners, who voted overwhelmingly for Proposition 13 June 6, will get less than \$2 billion of the \$7 billion in estimated tax savings, according to California's nonpartisan legislative analyst. The rest will go out of state or to non-resident property owners.

Of the \$2 billion savings to property owners, analyst William G. Hamm told the state legislature June 12, some \$3 billion will go to out-of-state corporations to fund their U.S. tax and land in California. Another \$4 billion will go to the federal government to fund higher income taxes, because Californians will have smaller property tax deductions. And something less than half of the remain-

ing \$2 billion in savings will go to California business property owners. The rest, something over \$1 billion, will actually go to home owners.

In other words, the estimated \$5.8 billion accumulated surplus of California tax revenues could have provided homeowners with four years of relief equivalent to what they will receive as a result of the passage of Proposition 13 had that money been made available for tax refunds. Distribution of the surplus, supplemented by passage of legislation providing for a reduction of home owners' taxes, could thus have provided the projected level of tax relief with no cut in social services.