

California Populism:

Scenes From The Ongoing Tax Revolt

“A good deal about California does not, on its own, add up.”

—Joan Didion, *Where I Was From*, 2003.

by Tim Strohane

As he signed a three-months-late budget in 1992, then-Governor Pete Wilson exhorted Californians:

“California’s long budget nightmare is finally over—for today. But what about tomorrow? What can Californians expect for next year? If we fail to recognize that fiscal responsibility means sacrifice and accountable management, I would regrettably have to predict much of the same. I sincerely hope not! We must recognize that tax [sic] and spending is not the answer and that enough is enough!”¹

Twelve years later, prospects for an end to California’s long budget nightmare seem remote still. The California Legislative Analyst’s Office (LAO) projected in November 2003 that without injection of new funds somewhere in the budget, California would face continuing general fund budget deficits averaging \$14 to \$15 billion through June of 2009, five years hence.²

Budget watchers call California’s fiscal predicament a “structural deficit” in which the state’s revenue sources are insufficient to fund service levels under existing law adjusted for population growth and inflation.

With two-thirds voting requirements on tax matters the norm, deficits like this mean it’s hard for things to add up in California. It is the fiscal expression of a politics, an economy, and a cultural relationship to nature that *feels* unsustainable; how could such a dysfunctional situation be perpetuated? Pollster Mark Baldassare of the Public Policy Institute of California reported in 2002, for example, that “nearly half [of those he polled] expected California to be a worse place to live in the year 2020, while only one in four expected it to be a better place. Thirty percent expected no change.”³

Of the state’s \$76 billion budget (with \$16 billion in budget “solutions” figured in), 83 percent goes to education for all and for health care for the poor. The state’s prison system consumes another 7.5 percent of this year’s spending plan while the state devotes less than 2 percent of its general fund budget (about \$1.5 billion) to environmental protection

and resource conservation.

To pay for these services to California society, the state collects (see Chart 2) the personal income tax (which provides about half of the state’s revenue) and the sales and use tax (which provides a bit less than one-third of the state’s total revenue). But they and smaller revenue sources don’t add up enough to cover state spending.

To close this gap (see Chart 3), the state will rely on program reductions and savings for just 45 percent of the “solutions,” with the rest coming from loans, borrowing, the Economic Recovery Bonds recently approved by California voters, and cost shifts to and revenue diversions from local governments.

Nearly one-third of this year’s deficit is “solved” with bonds, loans, and “borrowing.” The analog to a household

Today’s Californians participate actively—even cathartically—in postponing a fiscal and economic reckoning, and are quite willing for future taxpayers to reckon in their stead.

budget for these is “credit card,” a high cost form of borrowing, whose chief political advantage lies in postponing a fiscal and economic reckoning. And today’s Californians participate actively—even cathartically—in postponing this reckoning, and are quite willing for future taxpayers to reckon in their stead.

Their latest step was to recall the awful Governor Gray Davis and elect wealthy actor Arnold Schwarzenegger in his place last October. Schwarzenegger, as Governor, now contorts state fiscal politics by negotiating agreements with special interests including teachers unions, cities and counties, Indian tribes, and insurance companies and business (for example, workers’ compensation “reform”). These agreements seek state budget savings now in exchange for reimbursements (that is, higher state costs) to interest groups later, when Schwarzenegger may no longer be Governor. If approved by the Legislature, they would lock in huge chunks of the state budget (beyond the 40 percent general fund commitment to public education under Proposition 98) at the expense of poor and disabled Californians, those least able to protect themselves politically.⁴

The new Governor’s fiscal strategies are also likely to worsen the state’s dependence on sprawl development (by

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forcing more competition over regressive sales tax revenue), encourage wasteful energy and water consumption, and perpetuate habitat destruction to accommodate Californians' cultural entitlement to high-consumption ways of living. These strategies amount to New Ways for More of the Same.

At this writing, the state is presently without a budget, Legislative Democrats are considering doing their own budget, and the Governor has launched a venomous political offensive to shore up his suburban base in places like Ontario, Long Beach, Fairfield, and Stockton, and attack vulnerable Democratic legislators up for election this November. The Governor looks beyond November too. He intends to restructure not only the state's budget but its politics too.

'Girly-Men'

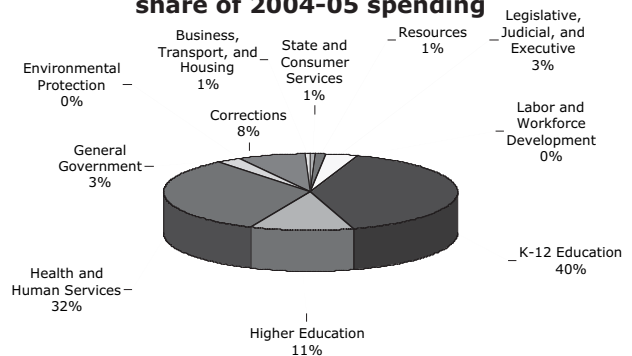
As with most things Schwarzenegger utters, there is a grain of truth wrapped in distortion, now compounded by the uproar over his recent ludicrous epithet. Calling Democratic legislators "girly-men," Schwarzenegger also said that they "cannot have the guts to come out there in front of you and say, 'I don't want to represent you. I want to represent those special interests: the unions, the trial lawyers.'" The Governor defines special interests narrowly in this spat, yet he has negotiated several budget agreements with other "special interests" as well. It is atmosphere for Sacramento.

The Governor's slur is a red herring, a distraction. He nurtures a populist veneer over his pro-business agenda that may wear thin with voters before long, depending on how visible his hypocrisies become; how long this takes will depend on events and his political and media skills. He

points to the corrupt legislative reality as an outsider, but when it comes to understanding the business of business, Schwarzenegger is no mere outsider.

He and his staff prepare us now for an unparalleled political catharsis of constitutional importance. Few details are yet available, but the *San Francisco Chronicle* reports that "the governor was seriously considering supporting an initiative to make the legislature a part-time institution. [Rob] Stutzman [his communications director] also suggested the governor was looking at ways to change the configuration of political districts." The Governor himself stated in May that "a part-time Legislature is something I'm looking forward to."

Chart 1. Education accounts for largest share of 2004-05 spending



Proposed 2004-05 General Fund Expenditures = \$76 Billion

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Rewriting History

Victors, we are often reminded by cynics, get to write history. Governor Schwarzenegger used his November 2003 audit of the state budget to demonize the Davis administration's combination of bad luck, pay-to-play politics, and poor political strategy, arguing that:

- Had the government simply spent at the same rate that California's economy grew, the state budget would be balanced today; and
- Over the past five years, state agencies were allowed to consistently spend above and beyond their budgeted levels.⁸

The California Budget Project (CBP), a foundation-funded state and federal budget watchdog group that looks out for the interests of poor and middle-income Californians, examined the audit's assertions more closely and found the Governor's audit focuses on spending growth at the expense of a fuller story.

During the 1990s, the state enacted large tax cuts. "New and expanded tax cuts contribute to the state's fiscal problems," says CBP. "Since 1998-99 [under Democrat Gray Davis], the State has enacted \$5.6 billion in tax relief. Since 1991, the state has enacted tax cuts that will cost nearly \$9 billion in 2003-04. Recent federal tax cuts have also affected state tax collections. The federal phase-out of the estate tax—a revenue shared by states and the federal government—will cost the state more than \$1 billion in 2004-05."⁹

Finally, the ratio of state employees to state residents has remained relatively constant since the 1970s. This figure peaked in 1978, increased during the dot-com boom through 2002, and has since declined. "In 2001, when state employment per 10,000 residents was higher than it is now," reports CBP, "California ranked 49th among the 50 states with respect to this measure."¹⁰

Moreover, state agencies overspending their budgets "account[] for a very small share of total spending," continues CBP. "Historically, the largest deficiencies have occurred in the Medi-Cal program, which under federal law must enroll anyone meeting eligibility standards, and Corrections [the prison system]."

California's growing elderly and college-age populations will strain the state's budget, says CBP. But "the structure of

housing. Tax protesters sought to preserve their standard of living, along with the styles and patterns of life in family and community, the primary concerns of most people. Tax protests expressed such fervor because high taxes threatened to curtail these patterns of consumption," such as having to sell a home to move somewhere cheaper, foregoing vacations, and saving for retirement and the children's college education.

Tax protesters—usually middle class homeowners, working class people, and often union members—used direct action methods to confront power: including rallies and pickets at City Council or Board of Supervisors meetings. They were met with disdain and their demands were ignored—for over two decades, it's worth understanding, including by the Democratic Party, which in hindsight failed

Chart 2. Personal income tax provides half of 2004-05 General Fund

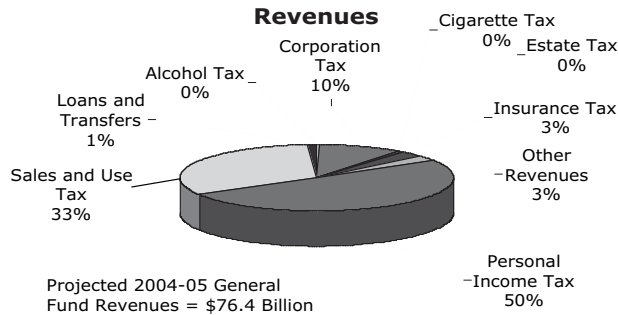
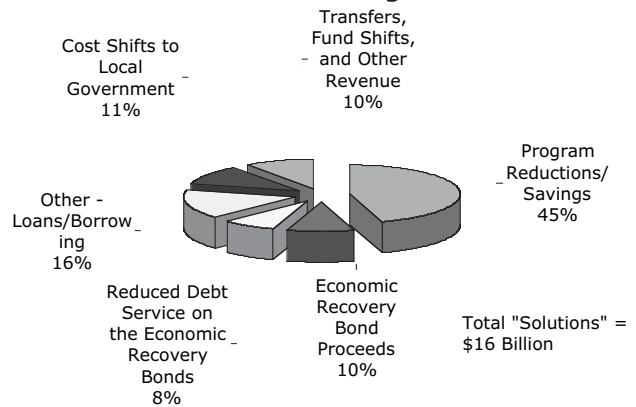


Chart 3. How is the Budget Balanced?



the state's tax system contributes to the budget gap." Corporate income taxes have declined over time when measured as a share of total General Fund revenues, and as a share of corporate profits.¹¹

Tax Revolt: A Flashback

Powerful collective self-interests sustain our political contortions, and these interests have roots in the politics of taxing real estate, especially housing.

The property tax revolt of the 1970s had its roots in scattered working class property tax protests in 1950s southern California. The suburban political landscape of post-World War II California, Lo writes, was dominated not by the partisan political machines of older cities but rather by bureaucratic structures of government, "founded with the best Progressive intentions of honest and efficient administration." Computerization of the property assessment process, coupled with a strong post-war economy created volatile growth in the assessed market value of real property.

With a simple majority vote, local public officials could just raise taxes enough to pay for all the services their communities chose to provide residents. But Lo recounts how officials' hopes for rational administration turned into "a behemoth of unresponsiveness."¹²

Continues Lo, "the property tax revolt was a protest against the rising cost of an important purchased good,

to channel populist sentiment into equitable social and fiscal policies in California.

Like brush fires regularly sweeping down the canyons of the San Gabriels, the Santa Monicas, and the San Bernardinos, they eventually joined widespread local opposition to the enforcement of busing decrees from the courts mandating integration of the nation's public schools, local anti-development environmentalism, and the growth of consumerism as resistance to unresponsive government and predatory corporations.

At first the tax revolt was a community-based populism, distrustful of large bureaucratic institutions. While having a clear class dimension to it, "the tax revolt was linked to the pursuit of ethnic advantage. Most...activists were whites who thought that welfare programs for inner-city blacks consumed too much of their property tax dollars," wrote Clarence Lo, while they claimed unfair tax burdens placed on homeowners caused social stress and disruption for the sake of maintaining the then-growing welfare system. But by the mid-1970s the movement, under the sway of charismatic apartment industry lobbyist Howard Jarvis, hitched its cranky consumerism to the fiscal conservatism of the Republican Party. And, most crucially, Proposition 13's drafting applied the same assessment rules to all real properties, even though ownership patterns for apartment,

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commercial, and industrial properties often have complex ownership structures.

In essence, Proposition 13 decommodified real property for taxation purposes (though not from the land market itself), since property tax revenue growth is decoupled from the actual growth in real estate market values. Moreover, implementation of Proposition 13 defined a change of ownership (the basis for triggering a market value-based assessment of any property) as a situation where one party takes control of more than 51 percent of the ownership interests in a property.¹³

In the case of commercial and industrial property, this change in ownership can be creatively avoided. “Commercial properties...routinely change ownership without a deed being recorded,” write economists Lenny Goldberg and David Kersten of the California Tax Reform Association. “The vast complexity of the ownership structures and the many ways in which commercial properties can be held make it extremely difficult, if not impossible, for county assessors to enforce the law.”¹⁴

Goldberg and Kersten argue that market value assessment of nonresidential property would bring about an improvement in the state’s business climate, for several reasons: local government fees could be allowed to go down (or at least not increase); new commercial and industrial development could almost immediately pay for itself in government services because of market-value assessments; it would reduce barriers to entry to newcomers to the state’s economy; and it would reduce land values by raising the cost of holding land (i.e., paying property taxes) since more land would enter circulation for various purposes (and the more land supply available, the lower will be its price).¹⁵

But with cash register politics the norm for both the Governor and the state Legislature, who will champion property tax reform on the real properties of California’s capitalist corporations? This is unclear at best, but as residential property owners increasingly shoulder the tax burden of state and local governments, another property tax revolt might be warranted. It depends on how serious California’s leaders are about improving the state’s commonweal and elevating its public discourse. The Governor’s first love as an investor is said to be real estate; among other commercial properties, he is president of Main Street Plaza in Santa Monica where his personal business Oak Productions is headquartered, as is his restaurant, Schatzi’s.¹⁶ We probably can’t count him in on a commercial property tax revolt.

Back to the Future: ‘My Thing’ Populism

The state definitely has money for TV commercials, even if Republican legislators can’t find it in their priorities to support spending for programs like In-Home Support Services or Medi-Cal.

Recently, as my daughter and I grimly watched the tube as

the Hated Dodgers came from behind to vex our Beloved Giants, Governor Arnold Schwarzenegger starred in a “California Grown” ad, where he urges us to buy California grown produce to keep the state “going strong.”

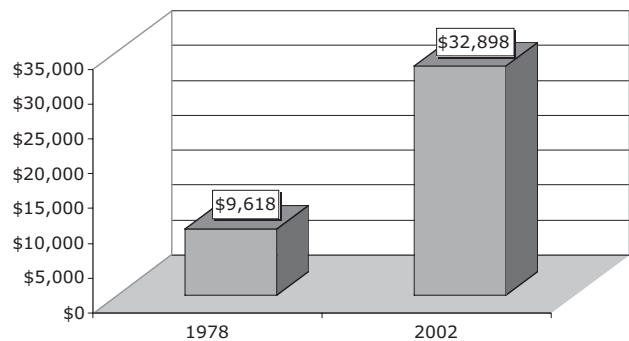
Like a lot of other Californians I prefer to buy my family’s food organic, whether the products come from Mexico or Oregon, or from Coachella Valley (from which my recent purchase of deliciously juicy cherry tomatoes originated). California’s major agribusinesses still use huge amounts of pesticides and herbicides to the detriment of farm workers, children, and consumers. The California Grown ad doesn’t tell us these businesses changed their ways; perhaps we’re assumed to forget these things. But we haven’t. Nationally, the market for organic food grew about 20 percent a year since the early 1990s.

I clearly overthink this. California “going strong” means something else to the administration in Sacramento:

1st Female voice: ...So I can just go on doing my thing!

Male voice: My thing!

Chart 4. Per capita income in California, 1978 and 2002



2nd Female voice: ...My thing!

Male farmer: ...and that’s what California’s all about.

Child’s (high) voice: Right?

Governor Schwarzenegger: Be Californian. Buy California Grown.¹⁷

My thing is my house. It’s a humble yet amazing object: I live in it with my family. It also represents my savings account. At least on paper we could reap a 100 percent mark-up on our house from when we bought it in 1994, were we to sell it now.

Statistically, there are stories like mine all over California.

According to the *California Statistical Abstract*, per capita incomes in the Supposedly Golden State rose 242 percent (without adjusting for inflation) between 1978 (Prop 13’s birth year) and 2002 (see Chart 4).¹⁸ Between 1982 and 2002, median home prices increased statewide by 183 percent but in some regions much higher, as shown in Chart 5.¹⁹ Between 1978 and 2000, property tax revenues of state and local governments in California per \$1000 of personal income fell from nearly \$64 to about \$26 percent, a 59 percent *drop* in that revenue source for California governments (see Chart 6). (Sales and personal income taxes have

only partially replaced much of that lost tax base.) In hindsight, Californians had the ability, but not the willingness to pay more taxes.

Like the 6.9 million other homeowners here, my wife and I can plan our property tax payments to our tax collector. Now living in Albany, a few miles south in Alameda County, we plan for a tax payment of \$430 per month for next fiscal year. Last year's property taxes totaled over \$5,000.

New neighbors moved in across the street early in 2001. They bought their home (about the same size as ours at three bedrooms and one bath) near the top of the "dot-com" boom. While we've been in Albany just 7 years longer, their property taxes are about twice what we pay.

Taxation experts cheekily refer to this blatant inequality as Proposition 13's "welcome stranger" effect, a provision in the California Constitution adopted in 1978 by the voters that calls for real property to be reassessed at its market value only when it is "transferred." For now, it is settled law that this feature of Prop 13 is constitutional. At most, my property assessment can increase up to 2 percent per year. What

figured out that in crawling lines of cars on clogged freeways there is a captive market for nurturing frustration, hatred of government, and emotional catharsis. AM radio steps confidently into the void.

In the recall campaign, Schwarzenegger used radio interviews to stake out new "my thing" territory for California populism by pledging to "repeal the car tax." Technically speaking, the "vehicle license fee" (VLF) increase was to end a temporarily-imposed reduction of the same fee several years earlier by then-Governor Gray Davis. At that time, the VLF reduction was a rare opportunity, given the swelling state surplus, for a Democratic governor to pander to Californians' lust for tax rebates. This pandering came back to bite Gray Davis: the VLF increase occurred at the start of the recall campaign, inciting many Californians' to support his recall. The subsequent "car tax repeal" by Governor Schwarzenegger cost the state's general fund \$4 billion instantly.

During 2003, California's populism was whipped into a frenzy by talk jocks. However good this catharsis may feel,

Chart 5. Growth in Median Single Family Home Prices in California and Selected Counties, 1982-2002

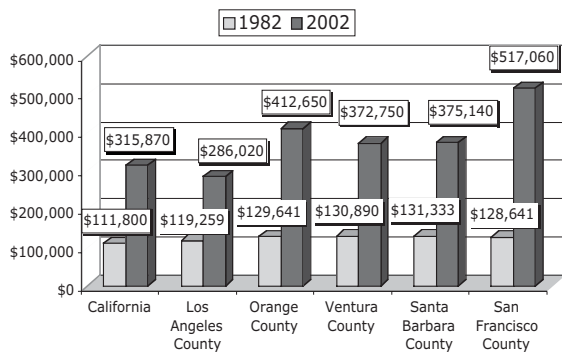
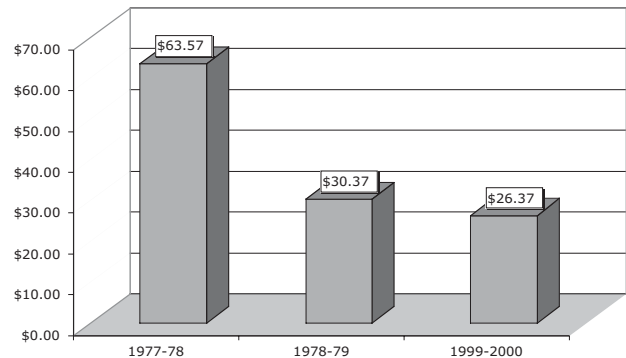


Chart 6. Total property tax revenue of state and local government per \$1000 of personal income



was \$300,000 last fiscal year can rise no more than \$6,000 this year.

Radio On

As you can see, the longer my wife and I live in our home the better we make out, as do the 6.9 million home-owning California taxpayers who vote. We also know that if property in housing were ever taxed again at market value, few Californians would ever be able to pay their taxes again, let alone buy another house. This is at the heart of why so many Californians feel their government must look elsewhere to solve its fiscal problems.

Housing may be both home and savings account, but altogether too many Californians spend too much time in their cars commuting through achingly congested freeways to and from work. Many Californians listen to talk radio as they commute, many listening to Michael Savage on KGO in the Bay Area, the Radio Mayor Roger Hedgecock on KOGO in San Diego, Eric Hogue on KTKZ-AM in Sacramento, and other talk jocks around the state.²⁰ Media owners have

Peter Schrag, an editor with the *Sacramento Bee*, writes that our populism "tends to be a different kind of political impulse, not because it is primarily a populism of the right whose prime objective is the enervation of government itself, but because it is not particularly interested in civic engagement or in increasing the effectiveness of the citizen in government at all. It is not primarily a movement to cleanse and regain control of the affairs of state through governmental institutions more responsive to the popular will. It is often more like a parody of the Newtonian system of checks and balances written by the framers into the U.S. Constitution, a mechanical device that's supposed to run more or less by itself and spares the individual the bother and complexities of any sort of political engagement."²¹

Despite AM radio harangues and Schwarzenegger's celebration of car culture (he personally owns a fleet of SUVs), recent polls indicate that nearly 60 percent of California voters expect taxes will need to rise at least temporarily (which smacks of wishful thinking). Although

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they like Schwarzenegger, they disagree with him about the need for new taxes. For example, 59 percent support taxing commercial properties at their market value²², a reform to Proposition 13 long advocated by many tax observers.²³

The change could be applied to nonresidential and nonagricultural real estate, the province of landed corporate capitalism: simply assess their properties based on market value. This eliminates legalistic hairsplitting of what constitutes a change in ownership. Such a change could raise as much as \$3 billion annually for government services, reducing fiscal stress—indeed, it could replace much of the lost VLF revenue. With political will—always a volatile social substance in California—such tax reform is possible, but not likely.

Sliding Down the Ladder

Why are a few million Californians in traffic jams to begin with? For more and more Californians owning a home means traveling long distances each day to and from your job for the privilege of accumulating your equity.²⁴

But why are homes far from jobs?

William Fulton, editor of a newsletter on California planning and development, directs our attention to “the fiscalization of land use.” In the days when local officials could just raise taxes to pay for local government services, they did not concern themselves much with attracting industry or jobs. But after Prop 13 dramatically restricted the revenues they could expect from landed property, Fulton says, “local governments can no longer assume that a healthy balance of growth (houses, apartments, stores, offices, factories, etc.) will mean a healthy balance in the budget.” He adds:

“In many cases, the traditional concern for a balanced community that will provide its citizens with everything they need—a variety of housing types, jobs, shops, culture—has been replaced by an overriding desire to increase the local tax base.

“...And many communities zone vast tracts of land for tax-rich commercial and industrial development even though they are in dire need of more housing. The tax issue gives many cities—and especially suburban cities—yet another reason not to pursue housing policies that will provide units for below-market buyers and renters.”²⁵

Voter approval of Proposition 57, the Economic Recovery Bond Act (ERB), on March 2, 2004, will magnify local governments’ incentives to subject urban land uses to decisive fiscal tests. Normally, general obligation bonds (GO bonds, which the ERBs are) are backed by the “full faith and credit” of the state’s general fund revenues. Early this year, however, Wall Street bond ratings agencies lowered their ratings of California GO bonds to near-junk status, citing California’s “deep disagreement over a way out of the state’s fiscal dilemma” and the state’s reliance on a financial structure that is “legally innovative for California.” Such acts

and commentary signal to America’s biggest investors that California is a flaky investment risk.

But the state’s ace-in-the-hole with Wall Street is that the ERBs provide not only the full faith and credit of the state’s general fund, they also dedicate up to one-third of the state’s sales tax revenues—which will not fund state or local services, as normally would have occurred—to paying down the debt service on the ERBs quickly.²⁶ These bonds were highly rated prior to their sale.²⁷

With high ratings and unprecedented assurance of repayments to investors by the state attached to the ERBs, sales of the bonds to institutional investors totaled \$7.9 billion the first day they were offered in May.²⁸

“In a very uncertain world,” State Treasurer Phil Angelides said, “California bonds will remain a safe haven and a good, secure investment.” Constitutionally, the State Treasurer is the state’s bond salesman to Wall Street.

The same cannot be said for less well-positioned Californians. On one hand, dedication of the sales tax revenues to the ERBs will make unprotected categories of spending in California’s budget even *more* vulnerable to cuts than in years past: welfare, Medi-Cal, in-home support services, and other services to the poor and elderly. On the other hand, local governments must now compete not only with each other for sales tax revenues in their land use decisions but with Wall Street as well. The pressures on local governments to convert agricultural and wildlands to urban and suburban land uses for new tax base will intensify in this fiscal environment.

In Berkeley where I work for city government, two major retail chains, Eddie Bauer and Gateway Computers, recently closed their doors and left town, leaving the city foregone sales tax revenues and half a city block of glassy vacant storefronts in the center of downtown, displaying fresh graffiti. No obvious replacements are yet in sight. The rents are too high, unfortunately, for a mom-and-pop entrepreneur to afford without a franchise deal from a chain retailer.

In the scene downtown I hear echoes of Steely Dan’s *everything must go*, a jazzy *noir* tune about an empire’s crackling fire sale:

*Talk about your major pain and suffering
Now our self-esteem is shattered
Show the world our mighty hidey-ho face
As we go sliding down the ladder
It was sweet up at the top
'Til that ill wind started blowing
Now it's cozy down below
'Cause we're going out of business
Everything must go.*²⁹

Little good can come of California turning to gigantic credit cards to deal with our political and fiscal contortions, except postponement of reckonings. Maybe that is enough for most. Our electorate vacillates, on the one hand, between stern fiscal discipline (“fiscal responsibility means sacrifice and accountable management,” Governor Wilson warned us 12 years ago) and heedless private hedonism (“...so I can just do my thing!”). Missing is an “our thing,” a California

public interest in rebuilding mutual trust, economic justice, and respect for human rights that is the foundation of a meaningful political community, the basis for any experience of public happiness. As the California-based Eagles once sang in "Hotel California," "you can check out anytime you like / but you can never leave."

ENDNOTES

¹ Budget message of Governor Pete Wilson, October 7, 1992.
² Elizabeth Hill, *Legislative Analyst*, California's Fiscal Outlook: LAO Projections, 2003-04 Through 2008-09, November 2003, p. 6.
³ Mark Baldassare, *A California State of Mind: The Conflicted Voter in a Changing World*, Berkeley, CA: University of California Press and the Public Policy Institute of California, 2002, pp. 27-28.
⁴ On the Governor's tentative agreement with cities and counties, see California Budget Project "Local Government Agreement at the Center of the 2004-05 Budget Debate," Budget Watch, June 2004, available at www.cbp.org.
⁵ Peter Nicholas, "Schwarzenegger deems opponents 'girlie-men'—twice; Governor's rhetoric incites mall crowd, infuriates others," San Francisco Chronicle 18 July 2004, p. A-7.
⁶ Mark Martin, "Governor tells voters Democrats have to go; Budget fight turns into broad clash over state government," San Francisco Chronicle 19 July 2004, p. A-1.
⁷ Mark Simon, "Betting on the future; ANALYSIS: Governor's outsider status works—as he said it would," San Francisco Chronicle 14 May 2004, p. A-1.
⁸ See the excellent chartbook by the California Budget Project, Terminating the Deficit: Does the Governor's Proposed 2004-05 Budget Restore California's Fiscal Health While Protecting Public Services? January 2004, p. 20.
⁹ Ibid., p. 27.
¹⁰ Ibid., p. 30.
¹¹ Ibid., p. 35 and 36.
¹² Clarence Y.T. Lo, Small Property Versus Big Government: Social Origins of the Property Tax Revolt, Berkeley, CA: University of California Press, 1990, p. 38.
¹³ California Revenue and Taxation Code Sections 61-64, et seq.
¹⁴ Lenny Goldberg and David Kersten, California Commercial Property Tax Study: Statewide Study Finds Huge Disparities in Property Taxes Paid for Similar Properties, Highlights Need to Reform System, prepared by the California Tax Reform Association with major funding provided by the PICO California Project, p. 8. "Ownership of commercial property is structured in many complex ways— publicly-traded corporations, partnerships, limited partnerships, limited liability corporations, family trusts, real estate investments trusts (publicly- or closely-held), and combinations thereof. When do such companies 'change ownership'? It's difficult to determine and enforce, even with the tightest of laws." Ibid. The PICO California Project is a united effort of 20 California faith-based community organizations affiliated with the Pacific Institute for Community Organization, a national network of faith-based organizations.
¹⁵ Ibid., p. 28.
¹⁶ No author, "A look inside the candidates' portfolios," CNN.com 10 August 2003.
¹⁷ "California Grown," television ad at Governor Schwarzenegger's web site, http://svhqmsmedia1.dot.ca.gov/

governor/MyPeople.asf.

¹⁸ California Statistical Abstract, 2003, calculated from Table D-6, p. 71
¹⁹ Ibid., calculated from Table I-11, p. 168. The source of the home value data is the California Association of Realtors.
²⁰ Joe Garofoli, "Nutballs' no more, talk radio jocks bask in their recall role: With listeners, they inched left to back a viable GOP candidate," San Francisco Chronicle 9 October 2003, p. A-15.
²¹ Peter Schrag, Paradise Lost: California's Experience, America's Future, Berkeley, CA: University of California Press, 1998, p. 18.
²² Voters' resignation about temporary tax increases is from the Field Poll, Release 2101, January 15, 2004, p. 6. Still, Mark Baldassare of the Public Policy Institute of California finds substantial mistrust of state government: among likely voters, 54 percent would prefer a smaller state government that provides fewer services. Among all adults, however, there is an even split 47 to 46 percent over the magnitude of taxes and the size of government. Mark Baldassare, PPIC Statewide Survey: Special Survey on the California State Budget, in collaboration with the James Irvine Foundation, May 2004, p. 6. Californians' resignation about higher taxes does not apply to residential property taxes; Californians still tell Baldassare that they love Proposition 13. But "the public appears more supportive changing aspects of Proposition 13 that do not directly affect their own residential property tax bills." Ibid., p. 12.
²³ Goldberg and Kersten, op. cit., note 14 above; and Lenny Goldberg, The Empire Has No Clothes: Infrastructure, Sprawl, Local Government Finance and the Property Tax, published by the California Tax Reform Association and the Green Capitol Project, n.d. Both studies are available at www.caltaxreform.org.
²⁴ See Hans P. Johnson and Joseph M. Hayes, "California's Newest Neighbrohoods," California Counts v5n1, August 2003. California Counts is published by the Public Policy Institute of California, founded originally by Silicon Valley fortunes. Johnson and Hayes found that new neighborhoods "tend to be located along the urban fringe, leading to long commutes by workers driving alone in their cars. They also appear to be economically exclusive, or at least do not accommodate many lower-income Californians." p. 13. These neighborhoods have fewer immigrants and are less racially diverse as well, say Johnson and Hayes, p. 7.
²⁵ William Fulton, Guide to California Planning, 2nd Edition, Point Arena, CA: Solano Press Books, pp. 234-237.
²⁶ See the PowerPoint show at the State Treasurer's web site, "State of California Economic Recovery Bonds."
²⁷ Office of the California State Treasurer News Release, "Treasurer Angelides Announces Record Sale of \$7.9 Billion in Economic Recovery Bonds," May 5, 2004.
²⁸ Ibid.
²⁹ "everything must go," composed and arranged by Walter Becker and Donald Fagen (Steely Dan), © 2003 Freejunktet Music/Zeon Music ASCAP.



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