

**PROPOSITION 13 – AMERICA'S
SECOND GREAT TAX REVOLT**

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PROPOSITION 13 – AMERICA’S SECOND GREAT TAX REVOLT: A FORTY YEAR STRUGGLE FOR LIBRARY SURVIVAL

BY

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INVESTOR IN PEOPLE

Dedication

To Donna Regan who lovingly sat by my side through many hours in both libraries and bookstores, and who patiently read innumerable snippets.

Love you!!!

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Chapter 1

1978–1979: In the Beginning

The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties. (Howard Jarvis Taxpayers Association, 2018)

These words became law in California on July 1, 1978, the start of the fiscal year, by virtue of a June 6, 1978 vote that saw 4,280,689 people (64.8%) voting in favor and 2,326,167 people (35.2%) voting against with a ratio of 1.8:1 (“California Proposition 13, Tax Limitations Initiative 1978,” n.d.). The measure passed in all but three counties. The voting public in California gave life to the People’s Initiative to Limit Property Taxation, otherwise known as Proposition 13, the shot heard ‘round the land. A tax and expenditure limitation wrapped in a proposition, proposed as an amendment to the California state constitution to be known lawfully as Article XIII A (Tax Limitation; Sections 1–7).

For the sake of context, in 1978, property taxes were a significant source of revenue for California’s local governments. They accounted for 36.3% of county revenues, 22.4% of city revenues, and 67.4% of non-enterprise special district revenues (Simon, 1998). Special districts are independent forms of local government created by the community to meet a specific need. Be it new services or higher levels of existing services. The community forms the special district to pay for and administer the service. Many libraries were located within high-property tax-dependent special districts.

Proposition 13 was backed by a movement that set out to cut California’s property tax rate. It was successful; after passage, a typical homeowner’s property tax bill fell from \$900 to \$400, a 55.6% decrease (Willis, 1981). Statewide, property taxes were cut an average of 57% (Willis, 1981). The proposition limited real property taxes to 1% of full cash value except as necessary to pay for previously incurred voter-approved debt. Property taxes were to be collected by counties and apportioned according to state government law. This granting to the state government the power of the purse strings led to a diminution in the ability of local government to control its own affairs. The new law required property to be valued

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as of March 1, 1975 or at the date of change of ownership (to include vacation homes) or construction if such date is on or after March 1, 1975. Subsequent increases were tied to the consumer price index not to exceed 2% per annum. State and local governments were prohibited from imposing any additional property, sales, or transaction taxes on the sale of real property; it required a two-thirds vote in each house of the legislature to increase or impose new state taxes and a two-thirds vote of the “qualified electors” to increase or add new local special-purpose taxes. The two-thirds super majority requirement allowed for a small minority of one-third plus one the ability to block the vote. The proposition was amended in November 1978 by Proposition 8 to allow for property reassessments due to a declining housing market or a decline in value due to disaster.

Vote yes on Proposition 13 and send a message to tens of thousands of teachers, librarians, firefighters, police officers, sanitation workers and public-health specialists that you can safely dispense with their services. (Los Angeles Times, Editorial, May 1978)

Challenged from the beginning and questioned throughout its history. Shortly after passage, Proposition 13’s constitutionality was put into question. The Amador Valley Joint Union High School District brought suit against the State Board of Education claiming that Proposition 13 was a revision of the state constitution and not an amendment. The state supreme court confirmed that an initiative couldn’t revise the constitution; however, Proposition 13 was an amendment to the California constitution and not a revision (*Amador Valley Joint Union High School District v. State Board of Equalization*, 2017). Within this ruling was a set of protocols utilized by other courts when they considered ambiguous language within Proposition 13 (Cole, 1998). Mr. Howard Jarvis, one of two key players in the initiation of Proposition 13, noted that if Proposition 13 had been ruled unconstitutional, he would have had to “call for a statewide revolt against paying property taxes” (Jarvis & Pack, 1979).

It was argued that cutting the property tax would merely result in raising the income tax. That such a move simply shifts the tax burden from one type of tax to another. Although a property tax cut would be beneficial for retirees, raising the income tax would be harmful to those who typically received income tax relief: low wage earners and renters. Businesses would also gain from a property tax cut, although they too could see a mere shift of taxes to a higher corporate tax. Proponents of Proposition 13 argued that its passage was necessary to keep businesses within California and to make the state more attractive to new businesses.

Many believed that Proposition 13 would aid people who need relief from economic hardship the least and restrict access to learning materials for people ill equipped to afford the cost of purchasing said materials. By way of example, if a city were to close a library, those in the higher income brackets likely would have books and educational material to read or have access to them. Additionally, these same households will receive a large tax break. Those in the lower tax brackets, in most cases, did not have access to reading or educational material and will not receive as big a tax break.

That angry noise was the sound of a middle-class tax revolt erupting and its tremors are shaking public officials from Sacramento to Washington D.C. (Time, 1978c)

Termed as the most emotional issue to sweep across the state in a generation, *Time* magazine described Proposition 13 as hitting like a cross between a tidal wave and an earthquake. It was the first major tax cap in American history and an interesting development put in context of the present view of California as the tax me more state.

It took California from a high tax state to an average tax state. It was considered a bell weather of the widespread tax revolt in America in the late 1970s^{1,2} helping to shape President Ronald Reagan's message that government was the problem not the solution.³ Proposition 13 was often mentioned as one of two most widely publicized first world tax revolts of the twentieth century. The other being the founding of Denmark's Progress Party in 1972⁴ (Danziger, 1980). Some argued that Proposition 13 was a continuation of a tax revolt, rather than a beginning. They pointed to Alabama governor George C. Wallace in 1972, California governor Ronald Reagan in 1973, and presidential nominee Jimmy Carter in 1976 as examples of politicians who had seized on anti-tax rhetoric prior to Proposition 13.

The surface issue was, of course, the property tax cut. There was an underlying issue that voters faced: a vote for Proposition 13 was a vote for limiting the funds available to the government, thus limiting the activities and size of the government. On its 30th anniversary, Mr. Ted Costa, the head of People's Advocate,⁵ underscored the point: "The overwhelming opinion was that the purpose of Prop. 13 was to limit the size of government" (Wildermuth, 2008).

Californians voted for the proposition despite the predicted financial restrictions it would place on state and local governments. The predictions indicated drastic cuts to public services (termed a fiscal *hara-kiri*) and mass layoffs, to include libraries, would follow such a vote. The degree to which a library system would be affected varied based on the dependency to property taxes for funding. Some systems had very little dependency on property taxes, while others had near complete dependency on property taxes.

Mr. Howard Jarvis, one of the two men responsible for Proposition 13, considered these dire warnings "a snow job by marinated bureaucrats and over-animated popcorn balls" (Knapp, 1998). Speaking specifically about libraries he

¹This movement received a push by the American Tax Reduction Movement, a unit within the Howard Jarvis Taxpayers Association.

²Columnist George F. Will agreed, stating that Proposition 13 was the impetus for "the conservative decade" 1978–1988.

³President Ronald Reagan, who served two terms, 1967–1971 and 1971–1975, as California governor before Proposition 13, was an enthusiastic supporter of the proposition.

⁴Historically, anti-tax sentiment can be traced back to 70 AD when the Jewish population refused to pay a temple tax to the Romans.

⁵Founded by Mr. Paul Gann, one of two key players in the initiation of Proposition 13.

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stated: “I happen to feel it is not a hardship to have libraries closed two out of every seven days; people still have plenty of opportunities to use them” (White, 2011). He also felt that kids did not read anymore – making libraries less valuable.

It was the public’s feeling that local governments would absorb the reduced revenue, with little change occurring to essential services. However, when presented with 15 spending areas that could be cut, 58% of voters responded that they would prefer spending cuts in no more than three of the 15 areas. Half of these voters supported Proposition 13. This illustration of not wanting cuts when given specifics yet still favoring Proposition 13 indicated a level of frustration voters held with regard to their rising property tax bill. The public’s frustration did not spillover to libraries, as a CBS News/*Los Angeles Times*-administered poll showed that a mere 4% of respondents favored cuts in libraries.

It is, in many respects, a legitimate grassroots populist revolt against the stupidity of government. But it clearly favors the large land owners and property owners ... (It is) the death of the New Deal.
– Tom Hayden on Proposition 13 (Broder, 1978)

No matter the age, income, geographic location, or party affiliation, the initiative won the majority. As a rule, homeowners are more likely to favor property tax limitations than renters are. However, renters, along with those who had public employees in to their family, and African Americans, did vote for the proposition in higher numbers than expected: 47%, 44%, and 42% respectively (Danziger, 1980), giving the appearance of a coming together of self-interest (a tax reduction) and principle (limiting government).

Simply put, many Californians believed that it was time to contain the extensive growth of both public expenditures and the tax system. Adding to the people’s frustration was the fragmented nature of local governments. The Advisory Commission on Intergovernmental Relations referred to this as the metropolitan problem – a complex and often confusing overlap of governments and functional responsibilities, producing serious obstacles to the clear political accountability of public officials or even of specific public agencies. Some of the governmental fragmentations were expected to abate after Proposition 13 was passed. It was believed that county governments would absorb special districts and provide services to the people within those special districts. Other special districts were not to be absorbed by county government, yet would be closely controlled. Additionally, inter-local arrangements were created between special districts to realize economies of scale when contracting for services.

A motivating cause for the tax revolt that spread through the United States of America in the years following Proposition 13 was a hope to create a more efficient government. Californian’s frustration with their government was exemplified by the fact that the state could not discern how much of a budget surplus it had. The best they could do was to estimate a range of \$3–6 billion⁶ (Danziger, 1980).

⁶The surplus was the result of growth in California’s computer, aerospace, and agricultural industries.

This led many Californians to believe their government was less than efficient in the area of fiscal management. Further, having that much of a budget surplus gave the impression that the state could not spend all the tax money it was collecting making a tax cut all the more plausible. To be clear, not every Californian felt that Proposition 13 would lead to a more efficient government. Some held the belief that centralizing would occur, resulting in a weakening of both competitive efficiency and diversity in the purchasing of public goods.

From the time of America's colonial period (1492–1763), property taxes have been a source for raising revenue. During that period, city hall, county courthouses, and school boards were typical of the type of institutions to receive funding. Today the list has been expanded to include libraries, firefighters, infrastructure, parks, police, public transportation, and recreation.⁷

Since 1911, Californians could affect their own taxes through the use of referendum. Attempts to use referendums in this manner are often referred to as populism. Appealing to the citizenry with a populist message proved effective for the southern California businessmen behind Proposition 13: Mr. Howard Arnold Jarvis and Mr. Paul Gann.⁸ How exactly did these two gentlemen motivate the California voter? Mr. Jarvis stated: “We learned the best approach to use on someone when you want to get their signature on a petition (was) ‘Sign this it will help lower your taxes,’ that usually worked.” The use of effective mailings was also part of their strategy. Mr. Jarvis commented that the most effective mailing “told every property owner how much his tax bill was, how much he would save on 13 in one year, and how much he'd save in five years” (Martin, 2006). Further helping to convince the citizenry of the proposition's benefits was its easily understood design.

Of course speaking directly to the voter was a key element and came easy for the ever-verbose Mr. Jarvis. He was not immune to stump speeches in which he would explain that this was the peoples chance to tell the government no more “Tax, tax, tax; spend, spend, spend; re-elect, re-elect, re-elect” (Coupal, 2016). He would put emphasis on fair taxes, equal for everybody, and “within the ability of the people who were taxed to pay for it” (Jarvis & Pack, 1979).

In the early 1960s, Californians were known to self-identify as living in a cheerful place with professional workers, raising young families with access to a growing, robust library system. By 1978, the typical voter and supporter of Proposition 13 was a mix of affluent middle-aged homeowners, possibly retired, having older children who were not availing themselves of public services such as libraries, parks, playgrounds, and schools.

Importantly, with regard to Proposition 13, the 1978 Californian was struggling with the rising cost of property taxes that were slightly above the national average.

⁷Neither list for the colonial period nor for the present day is meant to be all-inclusive. They are illustrative of how property taxes have been allocated and expanded throughout American history.

⁸Economist Arthur Laffer fully supported the initiative and has been given credit for helping to write it despite a lack of evidence to support a writing credit (Wikipedia, 2018).

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Naturally Mr. Howard Jarvis and Mr. Paul Gann profiled more with the typical voter and supporter of Proposition 13 than the typical early 1960s Californian.

Mr. Jarvis (1903–1986) was 74 years old on June 6, 1978, the day Proposition 13 was approved. Among the jobs held by the millionaire ex-businessman (*The Globe and Mail*, 1986) was executive director of both the Apartment Association of Los Angeles County and the United Organization of Taxpayers. (“California Voters Pass Initiative Cutting Taxes by 57%,” *Facts on File World News Digest*, 1978).

In 1980, Mr. Jarvis professed no allegiance to either the Republican Party or the Democratic Party, although he was a “rock-ribbed Republican” until 1962 (Scherer, 1980). Born in Utah (“Howard Jarvis Millionaire led revolt against property tax,” *The Globe and Mail*, 1986), he became a resident of West Los Angeles California (“Sound and fury over taxes Howard Jarvis and the voters send a message,” *Time*, 1978) and a runner-up for *Time’s* Man [*sic.*] of the Year (Coupal, 2010). He also had numerous unsuccessful runs for public office; a 1962 Republican nomination for United States Senate and several attempts at the may-orship of Los Angeles (“Howard Jarvis,” Wikipedia, 2018b).

Mr. Paul Gann (1912–1989) was born in Arkansas and settled in the Sacramento, California area (McQuiston, 1989). He was a few days short of his 66th birthday on June 6, 1978, the date Proposition 13 was approved. Among the jobs held by Mr. Gann were real estate salesman and auto salesman (McQuiston, 1989). Along the way he became a political activist forming and then heading an anti-tax lobby group called People’s Advocate (*Facts on File World News Digest*, 1978). In 1980, Mr. Gann lost a bid for the United States Senate to Mr. Alan Cranston (“Paul Gann,” Wikipedia, 2018d).

Reaction and Rally Cry for and Against Proposition 13

I wanted to stop 13. I ended up in the hospital after debating Jarvis all over the state. – Los Angeles County Supervisor Mr. Edmund D. Edelman recalling the effort against Proposition 13. (Scott, 2003)

It did indeed seem to be the most emotional issue to sweep across the state in more than a generation. Associations, businesses, governmental agencies, individuals, and organizations all began to release information detailing either the ills or the virtues of the proposition.

The Bank of America, the California Chamber of Commerce, Democrats, the League of Women Voters, newspapers,⁹ renters, Republicans, school administrators, and unions (including the American Federation of Teachers), all rallied to oppose the proposition. The Los Angeles Chamber of Commerce believed

⁹The *Valley News and Green Sheet* was a leading anti-Proposition 13 newspaper. In 1981, the paper changed its name to the *Daily News of Los Angeles*.

Proposition 13 to be “a fraud on the taxpayer that will cause fiscal chaos, massive unemployment and disruption of the economy” (Carpay, 2003). Governor Jerry Brown joined those opposing calling it “a rip-off” (Hazlett, 1978), warning the current tax situation was “the evil you know” and that was better than “the evil you don’t know” (White, 2011). Further, he believed that he would vote for Proposition 13 “if I were a communist” (Carpay, 2003).

San Diego mayor Mr. Peter Wilson, who later served two terms as governor of California from 1991 to 1999 and Los Angeles mayor, Mr. Thomas Bradley were adamantly opposed. Mr. Bradley stated, the proposition would “hit the city like a neutron bomb, leaving some city facilities standing virtually empty and human services devastated” (Carpay, 2003).

San Francisco mayor Mr. George Moscone cautioned: “Our police, our libraries, our fire department, and schools would be crippled” (“Between the Pigs and the Swill,” *Time*, 1978a). He went on to say that he would “lock the library doors” if Proposition 13 were to pass (“The Time to Start Was Yesterday,” *Journal of Academic Librarianship*, 1978).

That warning “scared me,” stated Ms. Karen Scannell, a San Francisco branch head librarian. It scared her enough that she had initiated plans to close the library (Plotnick, 1978). Simultaneously, library supporters in San Francisco made plans to try and keep the library open. In conjunction with city librarian Mr. John Frantz, they created bookmarks, posters, and signs that were made available throughout the library, detailing the ramifications that the passage of Proposition 13 would bring to include the closing of branch libraries.

Kevin Star, a former San Francisco librarian who had transitioned to columnist for the San Francisco Examiner, responded to the utilization of posters, stating it was “ideological concubinage ... like any old whore the library will be cast aside now that the mayor’s one-night stand is over” (Berry, 1978b). Not only was the San Francisco Public Library (SFPL) not cast aside, it was relied on more, as Proposition 13 forced the closing of a recreational facility within the Sunset District requiring users of the facility to patronize the nearby Ortega Branch Library.

The SFPL awareness campaign also asked, in light of possible branch closings, to return books on or before Friday, June 30, 1978. There was a sign in front of the main library informing that the main library would be closing on June 30 if Proposition 13 were to pass. Although that was an idle threat, the main library did stay open after the proposition was passed, the tactics on the whole were effective as the proposition did not receive the majority of votes in San Francisco.

A local judge stopped a plan of Los Angeles County workers to put notices on 5,000 public buildings, including libraries and museums. These notices were to inform the people that the building might be closed if Proposition 13 was passed.

The Los Angeles Public Library (LAPL) created a budget based on the proposition’s expected cuts, known as the Jarvis Budget. It showed the closure of 16 branches accompanied by the firing of 800 employees. Without regard for a library system that had been open since 1873, Mr. Jarvis, when asked about libraries closing in Los Angeles because of Proposition 13, commented: “It doesn’t bother me a damn bit ... most of the children they are for can’t read. And I don’t know what the hell good it does to have the books there. Now I understand

they’re closing one day a week. Which doesn’t bother me at all. I have been familiar with libraries for some time. Ninety percent of the time you could shoot a cannon through and nobody’s there” (Berry, 1978b).

Speaking of libraries in general Mr. Jarvis stated: “And if a library here and there has to close Wednesday mornings between 9 and 11, life will go on. Who the hell goes to the library in the morning, anyway?” (Citrin, 2009). Supporters of the proposition stated those who use libraries could afford to pay for the privilege.

One month before the proposition was to be voted on the *Los Angeles Times* (*LA Times*) reported that Los Angeles County would have to close half of the 93 branches if the proposition was voted up. (Note, there are two library systems in Los Angeles: the County of Los Angeles Public Library [CoLAPL] and the city’s Los Angeles Public Library [LAPL]).

The city of Los Angeles took the extreme measure of publishing a list of 37,000 people who could potentially be dismissed, based on seniority, if the proposition passed. Similarly, The Los Angeles Board of Education and other school boards sent termination notices to thousands of teachers who might conceivably be fired. Not in a direct response to the Los Angeles Board of Education, rather as a matter of statement regarding Proposition 13’s possible damaging effects on schools, Mr. Jarvis had commented: “The initiative is to cut property taxes in California and to save a couple of million people from losing their homes. They are a lot more important than twenty thousand schoolteachers” (Martin, 2006).

Librarians had been apprised that 60% of the state’s libraries might have to close (“Revolt over taxes aroused California voters confront a beguiling proposition,” *Time*, 1978b). These closures would contribute to the higher unemployment estimated by the University of California, Los Angeles (UCLA) Business Forecasting Project. They believed that Proposition 13 would push the unemployment rate from 7.3% to 10.1% (*Time*, 1978b). If this were to happen, the net result would be an increased use of public services at a time that those very services were receiving less funding. Not an uncommon occurrence within libraries where economic hardship, in this case being out of work, typically heightens the public’s awareness to the free and beneficial services provided by the public library.

The predicted deleterious effect that Proposition 13 was to have on unemployment proved erroneous. One year after passage, California’s unemployment rate dropped from 7.3% to 6.3%. It did reach 10% four years after passage, 1982, and then proceeded a steady decline to a low of 5.2% in 1989 not to reach the predicted 10.1% mark until the near end of the great recession, specifically 2009, when unemployment climbed to 11.3% (“California Unemployment Statistics”, Wikipedia, 2006).

The reality of how funding was affecting libraries was not only a big city concern. Carpinteria is a small city located 15 minutes south of Santa Barbara along US 101 on the California coast. Head librarian Mr. Mark King said, “If Jarvis passes I know we will lose our two part-time assistants. And if we aren’t closed down entirely they will certainly cut down on the library hours” (Kool, 1978). Mr. King went on to say that both he and his associate were willing to reduce their salaries if it meant keeping the library open (Kool, 1978).