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# Taxing Times

“Eternal vigilance is the price of liberty.”  
Often quoted by  
Howard Jarvis

The Official Newsletter of the Howard Jarvis Taxpayers Association ★ Howard Jarvis, Founder ★ Vol. 47, Issue 2 ★ Spring 2021

## PROP. 13 PROTECTION UNDER ATTACK

Since 1978, Proposition 13 has required the approval of two-thirds of voters for any special tax, but Sacramento politicians and now the courts are undermining this important taxpayer protection.

The assault on the two-thirds vote requirement for special taxes — taxes earmarked for a specific purpose — is once again before the Legislature in the form of Assembly Constitutional Amendment 1. This measure, which failed in the last legislative session, has been reintroduced for the 2021–22 session. ACA 1 would lower the vote needed to pass taxes and bonds from two-thirds down to just 55 percent if the money is to be used for affordable housing, homeless housing or “infrastructure.”

If enacted, ACA 1 would allow local governments to put new taxes and bond debt on the ballot for nearly any purpose, and those measures would pass with 55 percent of the vote instead of requiring the approval of two-thirds of voters. By making it easier to pass tax increases and local bonds, ACA 1 would almost guarantee that property tax bills would rise after nearly every election.

An even greater threat to the two-thirds protection is coming from the state courts. In 2017, the California Supreme Court issued a ruling in a case known as *California Cannabis Coalition v. City of Upland*. The opinion seemed to suggest that special taxes may not need a two-thirds vote if they are



proposed by the voters themselves through the initiative process.

It didn't take long for local governments and special-interest groups to put this idea to the test. In 2018, several special tax proposals

proposed by citizens' initiatives made it to the ballot, including one that was actually proposed by the San Francisco Board of Supervisors, disguised as an  
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## PROP. 19'S TAX HIKE HITS HARD

In November, voters narrowly approved Proposition 19, a measure that unleashed huge tax increases on property transferred between parents and children.

That will come as an unwelcome surprise to many voters. A costly and deceptive advertising campaign created the

false impression that Proposition 19 was merely providing help to seniors, disabled individuals, and wildfire victims who wanted to move to a new home.

The rest of the story is that Prop. 19 repealed Proposition 58, the 1986 constitutional amendment that allowed parents to transfer a

home and limited other property to their children without any change to the property tax bill. Now, under Proposition 19, those same properties will be reassessed to market value as of the date of transfer, with only a limited exclusion for family farms and for homes that become the principal

residence of the new owner within one year.

Proposition 19 also repealed Proposition 193 (1996), which extended the Prop. 58 rules to some transfers between grandparents and grandchildren.

The portion of Proposition 19  
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### Taxing Times

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**Headquarters**  
621 S. Westmoreland Avenue, Suite 200  
Los Angeles, CA 90005-3971  
(213) 384-9656



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Won't Die**

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**You're Invited to  
HJTA's Taxpayer  
Conference**

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## PRESIDENT'S MESSAGE

## CUTTING WASTE AND FRAUD SHOULD ALWAYS BE AN OPTION *By Jon Coupal*

Did you ever want to write your own state budget? Maybe not, but some media outlets and progressive organizations have created interactive websites where ordinary citizens can do just that.

These are intended, we suppose, for educational purposes and perhaps, more specifically, to demonstrate how difficult and complex it is to create a budget for the nation's most populous state.

For example, in 2019, CalMatters created a "Budget Decider" that allowed anyone to input various dollar amounts on both the revenue side and the expenditure side to create a state budget. The website states that it was designed "to improve your understanding of where taxes come from and where all that money goes."

A similar interactive on-line tool was created by the progressive organization Next 10, called the "California Budget Challenge." Its stated purpose is "to educate citizens about the

state budget and the trade-offs that are made to bring the budget into balance."

Any attempt to educate the public about public policy and the trade-offs that come with fiscal issues and state budgeting should be applauded, as long as it does not deceive the users.

But an argument can be made that the superficiality of these models doesn't paint a complete picture about how government taxes its citizens and businesses and how it spends that money.

First, these exercises assume a zero-sum game. If you add revenue to one program, such as education, you must either raise taxes or reduce spending on something else, such as transportation. But budgeting is not a zero-sum game, because changes in tax policy and spending have secondary impacts. This is the problem with what is known as "static scoring."

For example, it is assumed that if a current proposal to impose a big increase in California's

corporate income tax passes, it would generate about \$2.4 billion. But businesses frequently react to higher taxes either by changing their business models, reducing their business activity or moving out of the state. In order to properly project what might happen if there is a change in tax policy, "dynamic scoring" must be used, which attempts, as best as possible, to predict changes in behavior due to changes in law.

Second, the real issue here is how efficiently public services are delivered rather than how much we spend. Obviously, the provision of public services requires funding.

But many Californians who travel out of state wonder how it is that other states provide a higher quality of public goods at a much lower cost. California has the highest gas tax in the nation and yet ranks near the bottom in the quality of our roads. Also, we rightfully spend a lot of money on education, but how much of our K-12 and higher education

spending is either wasteful or actually counterproductive to the education of our children?

What got us thinking about these interactive budget challenges is the current scandal regarding the staggering amount of fraud in the distribution of unemployment funds.

According to the state auditor, it could be as high as \$30 billion. To put this in context, the level of fraud far exceeds twice what was projected to have been collected annually had Proposition 15, the split-roll initiative, passed.

Inquiring taxpayers who visit the "California Budget Challenge" might justifiably ask, "Where is my option to eliminate that fraud so that we can actually spend the \$30 billion on public services or reduce taxes?"

Interactive "budget challenges" can serve a useful purpose. Just give us more options that actually address the dysfunction that is California.

Howard Jarvis  
XIII Taxpayers Association

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## Heritage Society

We thank and appreciate the following  
for their generous donations:

The Selck Family,  
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A big "Thank You" to the Members of the *Heritage Society* who help make our work on behalf of taxpayers possible!

## PRESERVE THE BENEFITS OF PROPOSITION 13

At the Howard Jarvis Taxpayers Association, we have received a number of inquiries from those wishing to help us preserve the benefits of Proposition 13 for their children, grandchildren and heirs. If you would like more information about making an endowment to the Howard Jarvis Taxpayers Association or the Howard Jarvis Taxpayers Foundation, visit [www.hjta.org](http://www.hjta.org) and click on "Take Action," then click on "Heritage Society," write to us at 621 S. Westmoreland Ave., Suite 200, Los Angeles, CA 90005, e-mail us at [info@hjta.org](mailto:info@hjta.org), or call us at 213-384-9656.



# — Thank You —

## JOHN SUTTIE

*By Craig Mordoh*

The longtime president of the Howard Jarvis Taxpayers Foundation, John Suttie, announced his retirement in 2020 after a stellar career fighting for taxpayers.

From 1990 until his retirement in September, John Suttie has been the chief financial officer of the Howard Jarvis Taxpayers Association as well as president of the Foundation.

John is a graduate of California State University, Long Beach. Prior to joining HJTF, he was a vice-president of the Joseph L. Yousem Company, a real estate development and management firm, and a partner in Marina Properties, specializing in real estate syndication and development. He is a former member of the Institute of Real Estate Management and a former board member of the Apartment Association, California Southern Cities, and the Dr. Lynch Foundation, a nonprofit corporation dedicated to providing nongovernmental, low-income housing.

His accomplishments are many. During his time as president:

HJTF successfully defended Proposition 13 against three major court challenges, including the case of *Nordlinger v. Hahn*, which was

heard by the United States Supreme Court.

HJTA opposed and defeated Proposition 170, a ballot measure sponsored by the Legislature that would have reduced the vote to pass local bonds and raise property taxes from two-thirds to a simple majority. Proposition 170 was voted down with 69 percent of the vote.

HJTA sponsored and passed Proposition 218 — the Right to Vote on Taxes Act — to restore and expand taxpayer protections provided by Proposition 13.

After the Legislature wrote its own ballot label, title and summary, which read like campaign advocacy, for a \$9 billion bond to provide seed money for high-speed rail, HJTF sued on the grounds that voters have a right to elections free of governmental manipulation. The court of appeal, in a precedent-setting decision, ruled that the Legislature may not write its own ballot materials.

Even after a U.S. Supreme Court victory, we had to again successfully defend Proposition 13 in the superior court, the court of appeal and the California Supreme

Court against a suit that was filed by former UCLA Chancellor Charles Young seeking to have the landmark tax-limiting measure declared unconstitutional.

We helped lead the effort to pass Proposition 26, a measure that stops the state and local governments from disguising taxes as “fees” as a way to avoid voter approval. We also defeated Proposition 21, an increase in the vehicle license fee.

In 2015, HJTA sponsored legislation to require officials to provide more information to voters on local tax measures, which was signed into law.

Most recently, HJTA, with John’s invaluable help, successfully opposed Proposition 15, the “split roll” property tax proposal, which was a direct attack on Proposition 13 and the first step in attempting to eliminate Proposition 13 entirely.

John’s work has enabled both organizations to protect and preserve Proposition 13 and to save California taxpayers billions of dollars. I am proud to have worked with John for all these years, and I wish him an enjoyable retirement, with the thanks of everyone connected to HJTF and HJTA. □



Pictured (L to R): Gary Holme, Erin Dolan, William Kelso, Susan Shelley, Gloria Phillips, Craig Mordoh, Jon Coupal, John Suttie

# UNDER THE DOME



## THE ATTACK ON PROP. 13 THAT WON'T DIE

By Scott Kaufman, Legislative Director

A lot of bills come and go every legislative session. Most fail to get signed into law. Some die before they even get a hearing, others die in committee, others die on the Assembly or Senate floor and some die by the governor's veto.

And then there are other bills that just will not die.

Take, for example, what seems to have become a perennial thorn in the side of homeowners and taxpayers, Assembly Constitutional Amendment 1 by Assembly Member Cecilia Aguiar-Curry, D-Winters (HJTA Legislative Report Card grade: 28.13 – F). ACA 1 repeals one of the most important protections in Proposition 13 by lowering the existing

*The problem in California isn't that it's too hard to raise taxes. The problem is that our government believes you are a limitless supply of cash.*

two-thirds vote threshold for both local bonds and special taxes to just 55 percent if those bonds and taxes are for "infrastructure" and certain types of housing.

If that sounds familiar, that's because it is the same bill we warned you about last session. That is when ACA 1 was defeated on the Assembly floor by a wide margin thanks to unified opposition from

both homeowners and the business community.

If that sounds even more familiar, that's because it is the same bill we warned you about the session before that. That time, it was Assembly Constitutional Amendment 4, and it died in the Assembly Local Government Committee.

The reasons why are easy to understand. While everyone pays sales taxes, only property owners pay local bonds and parcel taxes. The latter of the two is particularly regressive in that each property owner typically is required to pay the same amount regardless of the size of their home or business.

As such, the intent of the two-thirds vote is to ensure a broad community consensus before government exercises this power to tax. That has been a bipartisan view for a long time. The special tax threshold, which includes sales and parcel taxes, has been in place since 1978, while the two-thirds vote requirement for bonds has existed since the late 1800s.

Proponents claim the taxes raised through ACA 1 are needed to pay for essential infrastructure and affordable-housing projects. Do not be fooled. While politicians claim that government doesn't have enough money to fulfill basic functions such as infrastructure, California's budget reserves stand at \$22 billion plus a rainy-day fund of \$15.6 billion, and the state is expecting a tax windfall of \$15.5 billion from a pandemic-defying stock market.

The reality is that ACA 1 is a direct attack on Prop. 13. It is the camel's nose under the tent and part of a long-term strategy to strip away all the two-thirds protections on

tax increases. And we should know — we have been here before.

I doubt you need to be reminded of the \$5 billion gas tax of 2017. But what about

*If that sounds familiar, that's because it is the same bill we warned you about last session.*

Proposition 39 of 2000? Prop. 39 was dubbed the "Smaller Classes, Safer Schools and Financial Accountability Act." Voters were told our schools were falling apart and that the two-thirds requirement for school bonds was too steep. Voters bought it. Since 2001, under the 55 percent threshold, school bonds have passed at a rate of 84 percent. Yet, every election we are asked to approve more bonds for those schools they say are still on the brink of collapse.

These exactions can last 30–40 years, well after the municipal officials who put them on the ballot have termed out of office.

It is not impossible to meet the two-thirds threshold to approve special taxes if voters are persuaded that the money is needed and will be well spent. Dozens of such measures have been approved over the last decade. It isn't necessary to make it easier to raise local taxes, and it isn't a good idea.

If local governments put new taxes and bonds on the ballot in every election, potentially adding hundreds

of dollars a year to property tax bills over and over again, it will become even more difficult for Californians to afford a home, and it will not make it easier for renters, a third of whom spend half their take-home pay on rent, to be able to save. Plus, while the taxes raised from ACA 1 may slightly increase the affordable housing stock, it will also have the perversely negative effect of increasing the overall cost of housing dramatically.

Nationwide, according to the National Association of Home Builders, an increase of just \$1,000 in the new median home price knocks 158,857 potential buyers out of the market. The median price of a home in California is already over \$700,000. California

*ACA 1 repeals one of the most important protections in Proposition 13.*

ranks 20th in per capita property tax collections, even with Prop. 13. Government does not need more of your money.

The taxpayer protections enshrined in Prop. 13 are an important reason that Californians are able to keep their homes instead of being taxed out of them. The problem in California isn't that it's too hard to raise taxes. The problem is that our government believes you are a limitless supply of cash.

We believe you are taxed enough, and this year, we hope to see ACA 1 dead and buried.

## GRASSROOTS REPORT

# WHERE DOES YOUR MONEY GO — AND WHAT CAN YOU DO ABOUT IT?

By Eric Eisenhammer, HJTA Director of Grassroots Operations

Arguments from tax-raisers are easy to predict: The reason we can't have "X" good thing is because taxpayers don't pay enough.

So the tax raisers say something like, "We want every school to have a petting zoo, and we will pay for it with a tax on banks. Banks have plenty of money, but not enough kids get to play with animals. Why are banks being so greedy and depriving children of this wonderful experience?"

*They have a spending problem, not a revenue problem.*

The goal here is framing the argument. They want to make taxpayer advocates defend a group that may not be popular (banks, in my example) and argue against something easy to like (kids getting to play with cute animals).

What they try to avoid like the plague is a discussion of where the vast amount of money they already spend actually goes because such a conversation inevitably exposes the fact that, as the saying goes, they have a spending problem, not a revenue problem.

Every year on Tax Day, we release a new edition of our "Follow the Money" report. It

documents and exposes new examples of waste, fraud and abuse brought to light in the previous year through investigations by the state auditor, the media or legislative inquiries. It's important to note that these are not all of the instances of waste, fraud and abuse but merely the ones known to the general public at this time. What we know could be only the tip of the iceberg.

What kind of wild spending is being documented in this latest edition? Among the examples are:

- A \$300 million electronic voting system in L.A. County that was approved for use despite needing last-minute modifications for "serious security and technical problems identified in testing," according to the Associated Press
- Housing for the homeless that costs more than half a million dollars per unit
- \$35 million awarded, without budget authorization, to a well-connected and partisan PR firm for "voter outreach"

Ultimately, we all are best off when government spends our hard-earned taxpayer dollars responsibly. That way, money goes where it's intended, and politicians have less reason to ask for more.

You can help to hold your local government accountable for their

spending by getting engaged in the political process. There are many local boards and agencies in your area, and the more citizens attend their meetings, read their agendas and examine what they're doing, the less likely they are to get away with wasteful spending and even fraud.

Among the types of government bodies you may consider engaging with are your county board of supervisors, city council and school board.

There also are hundreds of special districts throughout California. These are entities such as parks and recreation districts, air quality management districts, utility regulators,

*You can help to hold your local government accountable for their spending by getting engaged in the political process.*

water management districts and transportation agencies. The boards of these government bodies hold meetings and spend your money, so their activities

are public and can impact your wallet. You can learn more about special districts at the website of the California Special Districts Association: <https://www.cstda.net/special-districts/learn-about>.

Most meetings can now be accessed online on services such

*Most meetings can now be accessed online on services such as Zoom, so getting involved and making yourself heard is easier than ever.*

as Zoom, so getting involved and making yourself heard is easier than ever. You can literally testify at a city council meeting from your living room while wearing your bunny slippers!

And if you happen to observe your local public officials engaging in a particularly brazen abuse of your tax dollars, please contact your Howard Jarvis Taxpayers Association. We are always interested in talking with concerned taxpayers about how you can fight back and to explore ways that we can help. Write to us at [info@hjta.org](mailto:info@hjta.org) anytime. □

## PROP. 19'S TAX HIKE HITS HARD *Continued from page 1*

that applies to intergenerational transfers became effective on February 16. That gave California families an inadequate amount of time to seek financial and legal advice for the new tax rules, especially with the ongoing pandemic making it difficult to access government offices.

State tax authorities also

expressed concerns about the lack of time to prepare for the implementation of the measure. The California Assessors Association wrote in a letter to the state Board of Equalization (BOE) that Prop. 19 "is silent on many critical implementation issues." The BOE itself agreed that "the text of Prop. 19 leaves a

number of significant questions unanswered."

Sen. Patricia Bates, R-Laguna Niguel, has introduced Senate Bill 668, which would change the implementation date from February 16, 2021, to February 16, 2023. The Howard Jarvis Taxpayers Association is sponsoring and enthusiastically supporting this

bill. We will not stop there. HJTA is pressing lawmakers to support a constitutional amendment to restore Proposition 58 and Proposition 193 and bring back these important protections for California families.

Visit [www.hjta.org/Reinstate58](http://www.hjta.org/Reinstate58) to stay up-to-date and find out how you can help. □



# THE LEGAL FRONT

## HJTA DEFENDS TAXPAYERS IN FEDERAL COURT OVER MATTER OF NATIONAL IMPORTANCE

By Laura Dougherty, Senior Staff Attorney, and Timothy Bittle, Director of Legal Affairs



On February 8, 2021, HJTA had a unique opportunity to argue in federal court over an issue affecting taxpayers nationwide: Are state-mandated automatic retirement savings programs legal? If illegal, then California is wasting taxpayer dollars.

CalSavers is a new state-mandated retirement savings program for private-sector workers whose employers do not offer a retirement plan. Employers with five or more employees are

required to automatically enroll their employees (unless the employee jumps through hoops during each annual opt-out window), then withhold a percentage of their pay and remit those wages to the state of California to “invest.” We put quotation marks around “invest” because the state’s track record handling retirement funds for public employees through the California Public Employees’ Retirement System (CalPERS) demonstrates that the state’s investments often lose money.

HJTA argues that programs like CalSavers are illegal under the Employee Retirement Income Security Act (ERISA) of 1974. Through ERISA, Congress occupied the field of private employee retirement savings. This is an extremely broad federal law that supersedes state laws. For employers, ERISA sets uniform standards to follow. For

employees, it provides consistent fiduciary protection, including access to federal courts to resolve any disputes or abuse.

A 2016 Obama administration regulation written by the Department of Labor attempted to specifically exempt these programs from ERISA coverage. But Congress repealed this special regulation in 2017.

Regardless, California and a handful of other states, including Oregon and Illinois, proceeded to implement such programs, without further advice from the Department of Labor and without any other potential basis of authority.

California taxpayers should not be footing the bill for an illegal program preempted by federal law, so HJTA became the first to challenge the program in court in an effort to stop the hemorrhaging. A \$16.9 million general fund loan had been approved for

CalSavers, and over \$1.5 million has been spent since the program’s inception. California taxpayers were promised that the loan would be repaid with participant fees. Time will tell if that promise is kept.

*HJTA argues that programs like CalSavers are illegal under the Employee Retirement Income Security Act (ERISA) of 1974.*

HJTA President Jon Coupal informed the U.S. Department of Labor of this case early on. The Department of Labor filed its own briefs in the U.S. District Court and in the Ninth Circuit Court of Appeals. They agreed with HJTA that CalSavers is illegal under federal law, carefully articulating multiple reasons why CalSavers is preempted by ERISA. Primarily, the 2016 Obama administration regulation on which CalSavers relied was eliminated by Congress during the Trump administration. It was eliminated by statute, so the permission it granted cannot now be revived without congressional action.

From 1974 to date, it has clearly been the intent of Congress to keep private employee retirement savings in the federal domain. Congress has twice considered a nationwide program similar to CalSavers, and other legislation to promote retirement savings. Overlapping federal and state programs would be unworkable.

It was no surprise that the states of Illinois and Oregon, along with AARP and Ascensus,

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The screenshot shows the website for the United States Courts for the Ninth Circuit. The header includes the court's name and the names of the Chief Judge (Sidney R. Thomas), Clerk of Court (Molly C. Dwyer), and Circuit Executive (Elizabeth A. Smith). Navigation tabs include COURT OF APPEALS, DISTRICT & BANKRUPTCY COURTS, JUDICIAL COUNCIL & CONFERENCE, and LIBRARY. A live video stream is playing, titled "San Francisco Courtroom 2 9:00 AM Monday 2/8". The video shows three judges in a courtroom setting. The bottom of the video player shows a "LIVE" indicator and YouTube controls.

HJTA in Action: In February, senior staff attorney Laura Dougherty (*lower right*) argued before the U.S. Court of Appeals for the Ninth Circuit that the state’s mandatory retirement savings program, CalSavers, violates federal law and wastes taxpayers’ money.

## THE LEGAL FRONT *Continued from page 6*

wrote *amicus* (friend of the court) briefs to the Ninth Circuit in support of CalSavers. Ascensus is administering CalSavers and other state programs. These briefs repeated the arguments of the state of California and made impassioned policy arguments about solving a retirement crisis in America. Ironically, Illinois and Oregon confessed that one-third of Americans are withdrawing retirement funds to pay bills. Maybe the problem is not the lack of access to a retirement savings program, but rather the average overtaxed person's inability to save for the future while still making ends meet in the present.

*From 1974 to date, it has clearly been the intent of Congress to keep private employee retirement savings in the federal domain.*

On February 5, the Biden administration instructed the Department of Labor to withdraw from participation in our case even though the department had supported HJTA's argument earlier on. This was just three days before HJTA argued the case to the Ninth Circuit. The Department of Labor's analysis remains sound and relevant, but the department cannot file more briefs or take a side.

HJTA is often asked: "What's the harm of a state-run retirement

savings program?" After all, isn't it good to help people save for retirement? While HJTA supports and defends the financial security of its Members and California taxpayers, CalSavers is simply a new, wasteful bureaucracy to fix a problem that does not exist. Every employee already has the ability to set up an IRA with automatic deposits using any one of several existing private institutions. The problem is not the lack of access to save. The problem is that, sadly, most hardworking Californians cannot afford to save for retirement in the first place. CalSavers only exacerbates that problem by adding more to the cost of running state government, making it necessary to raise taxes even higher on those hardworking Californians.

Further, the CalSavers program is inferior to private sector retirement alternatives. With CalSavers, there is no option for employer contributions as there is with 401(k) and 403(b) plans. There is no guaranteed rate of return, no government backing, and choices are narrow. With a private IRA, an employee can direct that his or her money be invested in many ways, such as American stocks, or real estate, or precious metals, or a guaranteed annuity, etc. With CalSavers, the employee's money is pooled and invested by state employees who are restricted for political policy reasons.

The loss of federal remedies is also an issue. What happens if struggling employers make the deductions but don't send the money on to the state? Under ERISA, employees could seek resolution in federal court. Under CalSavers, they will only be able to sue in state court. That could

get complicated if the employer files for bankruptcy, which is in federal court.

There is another reason the program could be harmful. CalSavers statutes allow for commingling with public employee pensions such as PERS and STRS (California State Teachers' Retirement System), making for a fiscally dangerous

*Maybe the problem is not the lack of access to a retirement savings program, but rather the average overtaxed person's inability to save for the future while still making ends meet in the present.*

scenario. Public retirees are guaranteed a specific monthly pension amount. What happens if the PERS or STRS portfolio loses money? Will the state borrow or siphon money from CalSavers to pay its public retirees?

The future of retirement savings with state-run programs like CalSavers, should they be allowed, is ominous at best. Hopefully the Ninth Circuit will agree and declare CalSavers preempted by federal law.

*Note: As of the writing of this article, the outcome of this case is unknown. It can be assumed that the case is still ongoing. □*

## PROP. 13 PROTECTION UNDER ATTACK

*Continued from page 1*

initiative when one supervisor volunteered to act as the "citizen proponent" of the measure.

That measure was Proposition C, a gross receipts tax on commercial rents. It received barely over 50 percent of the vote, but the board of supervisors declared that because it was an "initiative," it needed only a simple majority, not two-thirds, of the vote. The board declared that the measure passed.

HJTA challenged this declared outcome in court, joined by other organizations. HJTA also got involved in a case in Fresno over another special tax that failed to reach the two-thirds vote threshold. Other groups have sued to challenge more special tax initiatives in San Francisco, Oakland and Alameda County.

Some of these cases have reached the court of appeal, and the rulings there have, so far, gone against taxpayers.

HJTA is continuing the fight and hopes the state Supreme Court will review one or more of these cases and declare that special taxes need a two-thirds vote to pass, no matter how they're proposed.

HJTA is also committed to defeating ACA 1 in the State Legislature, where it needs a two-thirds vote in each house in order to get on the ballot. Once on the ballot, it would need only a simple majority to pass.

If lawmakers and judges continue to open loopholes in Proposition 13, the Howard Jarvis Taxpayers Association is prepared to work with like-minded groups to close them again. California's taxes are already far too high. □

# THE GUESSING GAME

**HOW HIGH WOULD YOUR TAXES BE WITHOUT PROPOSITION 13?**

**TRY OUR TAX CALCULATOR ONLINE AND FIND OUT!**

<http://guessinggame.org>

# SACRAMENTO BAILOUT SOAKS TAXPAYERS FOR “SHADY DEAL”

When then-Secretary of State Alex Padilla awarded a \$35 million contract for “voter outreach” to a political consulting firm run by one of now-President Joe Biden’s top advisers, State Controller Betty Yee refused to pay the invoices. The problem? There was no authorization in the state budget for that expenditure.

The Howard Jarvis Taxpayers Association filed a lawsuit against Padilla to make sure no tax money was used to pay the unauthorized expense. Then in February, the Legislature decided to ride to Padilla’s defense and pass Assembly Bill 85, a trailer bill to the previous year’s budget that retroactively slipped money into the right place so the \$35 million invoice could be paid.

Some lawmakers strongly objected. “Taxpayers should not have to pay for the shady deal that was executed by the previous secretary of state,” state Sens. Patricia Bates, R-Laguna Niguel, and Jim Nielsen, R-Tehama, said in a statement. “We call on our legislative colleagues to side with Californians and use the much-needed money as intended to help counties, not pad the pockets of political operatives at a partisan firm for partisan purposes.”

HJTA Legislative Director Scott Kaufman immediately sent a letter to Assembly Budget Committee Chair Phil Ting, D-San Francisco, expressing strong opposition to AB 85.

HJTA will continue to fight to hold government accountable for waste, fraud and abuse of taxpayer dollars. It’s not an easy battle, and we greatly appreciate your support in this effort to shine sunlight on the sleazy practices of Sacramento politicians who abuse their power to give sweetheart deals to cronies and pals. □



February 18, 2021

Hon. Phil Ting  
Chair, Assembly Budget Committee  
State Capitol, Rm. 6026  
Sacramento, CA 95814

Re: Assembly Bill 85

Dear Assemblyman Ting,

This is to inform you that the Howard Jarvis Taxpayers Association **must oppose AB 85**. It has come to our attention that Assembly Bill 85 includes amendments pertaining to a case the Howard Jarvis Taxpayers Association is currently in litigation on.

While our organization continues to evaluate the legality of the Legislature’s action in AB 85, we believe retroactively changing the Budget Act of 2020 to allow a diversion of more than \$35 million in state and federal money meant to help counties cover the costs of holding an election during a pandemic to a partisan and politically connected consulting firm whose website prominently stated that it was on “Team Biden” is highly inappropriate.

The Legislature is attempting to paper over the fact that when the contract was signed, it was unsupported by any line item in the state budget. But the process also did not comply with the Public Contract Code as the required public notice was not provided. Further, federal laws prohibit the use of federal funds for “get-out-the-vote” activities. The contract at issue specifically included “get-out-the-vote” activities.

Has the State Controller’s Office indicated that this amendment is adequate? Can federal funds (\$12 million) under the “Help America Vote Act” lawfully be used for “get-out-the-vote” activities? The contract did not comply with the Public Contracts Code. How does this amendment cure that defect?

And why should the counties suffer for then-Secretary of State Alex Padilla’s sweetheart deal?

Sincerely,

Scott Kaufman  
Legislative Director

## HJTA.ORG

Your source for **everything Proposition 13**





# SERF STATE, USA

By Jon Coupal

Huntington Beach was awarded the official title of “Surf City” by the U.S. Patent and Trademark Office in 2006 based on its historical beach culture, music and active outdoor lifestyle. A great case could also be made to have the entirety of California designated as the “Serf State,” based on its excessive taxation, burdensome regulations and poor government services.

Serfdom generally refers to the economic and legal systems in which a tenant farmer was bound to a hereditary plot of land and to the will of his feudal lord. For example, serfs in medieval Europe obtained their subsistence by working land that was owned by a “noble.”

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*The Road to Serfdom*, written in the early 1940s by Austrian-British economist and philosopher Friedrich Hayek, remains one of the most influential works on free market capitalism. Indeed, many of today's economic libertarians are known as adherents to the Austrian School of economic theory. This is distinguished from Keynesians, who advocate for centralized control of the economy by “experts,” usually employed by government.

Hayek contended that Marxism or its slightly less poisonous variant, socialism, leads to poverty, oppression and loss of basic human liberties.

So, cutting to the chase, is excessive taxation a form of “involuntary servitude” (a phrase that actually appears in the U.S. Constitution) or at least serfdom? Of course, “excessive” taxation should not be construed to mean all taxation.

A level of taxation that is confiscatory can no longer be called civilized.

There is little doubt that California's tax burden is rapidly closing in on a confiscatory level, if it isn't there already.

Our state has the highest income tax rate in America, the highest state sales tax and the highest gas tax.

Even with Proposition 13, we remain in the top half of all states in property tax collections per capita.

Regrettably, California's elected leaders care little about the tax burden that citizens and businesses are forced to pay, and continue to pursue destructive tax policies.

Nothing makes this clearer than a proposal from Assembly Member Rob Bonta, D-Oakland, to impose a first-in-the-nation state wealth tax. His Assembly Bill 2088 died in the last session, but he has promised to resurrect it this year.

Supported by public-sector labor organizations, the wealth tax would target California's wealthiest citizens. It would impose a tax on a resident's net worth, rather than on income or consumption.

Finally, the bill would attempt to extract, for a decade, the tax from residents who move out of the state. In short, this provision of the proposal would impose a tax on leaving California.

Here is where the analogy to serfdom is most fitting. Serfs had little opportunity to improve their lives or to leave the land to which they were bound. Bonta's bill is an attempt to prevent Californians from escaping to lands more free — as millions have already.

The good news here is that Bonta's “exit tax” is patently unconstitutional and everyone knows it.

The bad news is that even if the proposal never gains serious traction, it still serves as a harsh reminder to the rest of the nation of how unhinged the previously Golden State has become.

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Last year, Hewlett-Packard, one of the earliest tech companies founded in Silicon Valley, announced it was moving its headquarters to Houston, Texas.

Capital flight out of California is accelerating, as is the outmigration of productive citizens who have wisely decided that they will no longer be serfs to the political class who eat the bread made by others.

## TAX BYTES

### FI\$CAL INSANITY

State Auditor Elaine Howle reports that the managers of FI\$Cal, California's information technology project for modernizing state finances, used tricky accounting to obscure the total cost of the beleaguered effort. The allegedly \$960 million project is now scheduled to be mostly completed in mid-2022, following missed deadlines to have it operational by mid-2020, mid-2019, mid-2017 and mid-2016.

### NOBODY HOME

The state auditor reports that California has at least nine state agencies overseeing 41 different programs that fund homeless services and has sent \$12 billion in the last three fiscal years to local entities to address homelessness, but there is still no statewide strategic plan and no way to track program spending.

### CLAIMS JUMPING

While delaying the payment of benefits to unemployed Californians, the Employment Development Department paid over \$11 billion in fraudulent claims filed by inmates, con artists and international crime rings.

### GYMS OPEN FOR LIZARDS

The National Science Foundation spent \$1.5 million in tax dollars to walk lizards on a treadmill and study their joints. Researchers concluded that more study is needed.

# FOUNDATION REPORT

**SAVE THE DATE**

**Thursday  
May 20, 2021  
10:00 a.m.**



## YOU'RE INVITED TO HJTA'S 2021 TAXPAYER CONFERENCE, ONLINE!

### SPECIAL GUEST SPEAKER VICTOR DAVIS HANSON

Mark your calendar for **May 20 at 10:00 a.m.** and join us for HJTA's 2021 Taxpayer Conference! This special online event, presented by the Howard Jarvis Taxpayers Foundation, will feature HJTA President **Jon Coupal** and a very special guest speaker: author and nationally syndicated columnist **Victor Davis Hanson**.

Don't miss it! You'll get insights into California's future, and an inside look at HJTA's work fighting for you in the courts, in the Capitol and at the ballot box.

For details and to register for this free event, go to [www.hjta.org/TaxpayerConference](http://www.hjta.org/TaxpayerConference), call our offices at **916-444-9950** or **213-384-9656**, or e-mail us at [info@hjta.org](mailto:info@hjta.org).

**WE LOOK FORWARD TO SEEING YOU!**

## the MAIL Bag

"Thank you all for a job well done on defeating Proposition 15."

—S.D.,  
Sacramento

"Thanks again for your help."

—N.E.,  
River Pines

"Alert all members to combat the intention to increase taxes and destroy Prop. 13."

—V.C.,  
San Francisco

"You have my appreciation and support in this cause, strengthening Proposition 13."

—J.L.,  
San Luis Obispo

"Thank you again for your excellent input regarding our brief in this case. Your advice definitely sharpened our focus."

—Pete Sepp, President  
National Taxpayers Union  
Washington, D.C.

"Thank you for your help!"

—Michael Allawos  
Mayor, City of  
Glendora

"I want to congratulate your team's effort in soundly defeating Proposition 15 and bringing the rightful attention to the pitfalls of Proposition 19."

—K.M.,  
Laguna Niguel

# YOUR answered

## CAN AN OUT-OF-CONTROL GOVERNMENT BE REINED IN?

It may well be that the most important election in the history of California took place on October 10, 1911. That's when voters approved Proposition 7 and Proposition 8, two reform measures that gave California voters the power of the initiative, the referendum and the recall.

These reforms were placed on the ballot by the newly elected Legislature that was swept into office along with Governor Hiram Johnson. Proposition 7 made California the 10th state to allow voters to have the tools of direct democracy to change the law.

At the same time, Proposition 8 gave Californians a process to recall elected officials. That measure passed with the approval of 76.8 percent of voters.

As a result of these early 20th century reforms,

Californians gained extra tools to hold government accountable. Voters can take matters into their own hands and act.

The most significant initiative in state history is the iconic Proposition 13, passed in 1978 when property tax bills were skyrocketing as real estate values soared with inflation. The State Legislature failed to address the growing problem of terrifying and unpredictable tax increases. Politicians were happy to spend the money.

Howard Jarvis led the long fight to limit property taxes, and when Prop. 13 finally passed, it cut property tax rates, limited annual increases in assessments and ensured that Californians could continue to live in their homes without the fear that sudden and unaffordable tax hikes

would force them to sell. Direct democracy succeeded where the politicians had failed.

Another tool of direct democracy, the referendum, is a vote of the people to approve or reject a law that the Legislature has passed and the governor has signed. If a proponent files a request for a referendum, circulates petitions and turns in the required number of valid signatures within a limited period of time, the referendum goes on the ballot. If the majority of voters say no to the law, then the law is repealed.

The third tool, the recall of elected officials, is becoming quite familiar to California voters. In 2003, Gov. Gray Davis was recalled, and as of this writing, Gov. Gavin Newsom is facing a credible threat of a recall himself. A

recall election would have two separate questions on the ballot: The first question addresses whether the governor should be recalled; the second question is the choice of his potential replacement. The current governor may not be listed as a candidate on the second question.

In 2003, there were more than 130 candidates on the recall ballot. Gov. Arnold Schwarzenegger was elected with a plurality of the vote. As a majority is not required, there is no run-off.

Although there have been occasional changes to initiative and recall procedures over the last century, these reforms remain what their 20th century framers intended them to be — powerful tools that enable California voters to make sure their concerns are heard and addressed.

### TUNE IN



PODCAST

## The Howard Jarvis Podcast

Cumulus Media Los Angeles

HJTA is pleased to be partnering with 790 KABC radio in Los Angeles to produce a weekly podcast hosted by HJTA President Jon Coupal and Vice President of Communications Susan Shelley. This lively and in-depth conversation takes you inside the workings of

California government in a way that's fun and interesting, if sometimes a little scary.

Some topics this spring included "What Happens in California Stays in California... If You're Lucky," "Let's Have a Laugh Before They Tax It" and "California Is Robin Hood for Government."

You can find the Howard Jarvis Podcast online at [www.kabc.com/the-howard-jarvis-podcast/](http://www.kabc.com/the-howard-jarvis-podcast/) or on the HJTA home page at [www.hjta.org](http://www.hjta.org), or download it wherever podcasts are available.

**SUBSCRIBE TODAY!**

KABC Podcasts

California: Global Leader in Boor



# Thank You FOR RECRUITING NEW PROP. 13 SUPPORTERS!

HJTA's hat is off to all of you who have recruited new Members to the taxpayers' cause. Please keep up the good work!

The tax revolt that passed Proposition 13 has always depended on grassroots supporters. Howard Jarvis always fought for average taxpayers who pay government's bills, and we at HJTA continue his crusade.

Everyone knows at least one person, and probably more, who should join our movement.

The vast majority of those who know about Proposition 13 support it, but many are not aware that their taxpayer protections are under constant attack by Sacramento

politicians.

Taxpayers' best defense is an informed public. You can support Proposition 13 by helping HJTA recruit new Members who will strengthen the taxpayers' cause in Sacramento and throughout the state.

Please use the coupons below to send us the name and address of at least one taxpayer who would benefit from learning more about Proposition 13 and the tax-fighting work of HJTA. If you know of more than one, provide their information or pass a coupon on to them, and we will be glad to reach out to them as well.

## HJTA MEMBERS: HELP HJTA HELP YOU

Howard Jarvis Taxpayers Association is California's number-one taxpayer advocacy organization. By recruiting new Members, we strengthen the taxpayers' cause in Sacramento and throughout the state.

Help protect Proposition 13! Every HJTA Member knows at least one person who should join HJTA. Please send us their names and addresses. HJTA will send them information on our ongoing work and a membership application. Thank you!

**Mail to: HJTA, 621 South Westmoreland Avenue, Suite 200, Los Angeles, CA 90005-3971**

Please send information on the tax-fighting work of the Howard Jarvis Taxpayers Association and a membership application to:

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

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