

# UNINTENDED CONSEQUENCES

## Prop 13 and the Future of the Golden State

A Documentary Film Proposal by Lowell Goodman



Facebook.com/improveprop13

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### Fast Facts

- 90-Minute Documentary
- 60-Minute Short Version
- Narration: Celebrity Narrators in English and Spanish
- Subtitled Versions: In Mandarin, Korean and others
- Shooting Format: Shot on Digital Media
- Exhibition Format: Digital and DVD

### Short Synopsis

On June 6, 1978, California voters went to the polls and approved Proposition 13, the ballot measure that crippled the Golden State, shredded its governing structures, wrecked its once-vaunted educational system, left its infrastructure to crumble and fundamentally changed the relationship between citizens and their government in the nation's most populous state.

Deceptively pitched, packaged and sold as a means to reduce the property tax burden on California's most vulnerable homeowners, the initiative was, in truth, a means through which to tear down government and

thwart the state's ability to educate and provide for any of its citizens, rich or poor.

"Unintended Consequences" tells the story of Proposition 13 and looks at precisely how, more than 35 years later, California has been left ungovernable, impoverished and imperiled.

Using brand-new interviews, archival footage, photographs, and new b-roll, this feature-length documentary will uncover the vibrant history behind Prop 13's passage. Then it will look at the consequences of Prop 13, from the evaporation of California's public education system to the crumbling of its infrastructure, from the erosion

of social services to the landslide of ineffective governance left in its wake.

But this film is not the story of immutable change--or merely the story of the past. In no way is California a place that exists (or has ever existed) in stasis. Looking forward to the future, this film is designed to entertain, educate and show viewers how, through some rather modest changes, we can all work together to renew, re-fund and rebuild California in a way that's smart and effective, so that future Californians will look favorably upon us as the generation that brought the Golden State back from the brink.

## Introduction



### Cold Open: 'How did this get so messed up?'

Lien-Hua and Avi were high school sweethearts who met when they were growing up in Connecticut. They split up in college and got

back together in their mid-20s, after they'd both moved to Los Angeles.

Today Lien-Hua and Avi have two children, Paul and Grace. Avi works as a biotech recruiter, Lien-Hua as a fashion designer. They live in a modest 3-bedroom/1-bath bungalow-style house in Los Angeles' Silver Lake neighborhood. They paid \$650,000 for the house in 2004.

Last year, when Paul was about to graduate preschool, Avi and Lien-Hua went on a tour of their local elementary school. "I couldn't believe what I saw," says Avi. "The place was really run down. Everything in the classrooms looked kind of worn out and old."

Lien-Hua says she was more confused than anything. "I don't want to sound callous," she says quietly, "but this is Silver Lake. There's million dollar homes just up the street from that school."

Avi and Lien-Hua wanted to send Paul to public school. For one thing, they couldn't afford \$20 thousand dollar-a-year private school tuitions. Also, there's what they call their personal philosophy. "We believe in public education. Both of us went to public schools," Lien-Hua says.

Looking for an alternative to their local school, Avi and Lien-Hua banded together with other parents in the neighborhood and created a charter school, to which they now devote "most of our lives," as Lien-Hua tells it. The school is located in a former halfway house for drug abusers. Avi, Lien-Hua and the other parents cleaned it up themselves, added a fresh coat of paint and stocked it with donated toys, books and playground equipment.

Now that the school is up and running, they spend several evenings a month meeting with teachers, administrators and other parents, discussing curricula, school supplies and, more than anything else, fundraising.

Paul, who's now six, is currently participating in a walk-a-thon and a read-a-thon. On the weekends, Avi and Lien-Hua take Paul and Grace and go door to door in the neighborhood, asking local merchants to donate money to the school. Several realtors have been especially generous, donating \$1,500 each in exchange for banners advertising their services, which hang on the fence surrounding the building. "The banners actually shield the place from some of the druggies who still hang out nearby," Lien-Hua says with a smile.

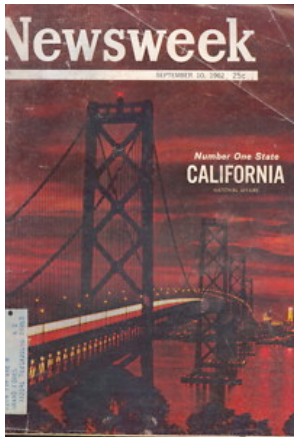
But even with as much time as Avi and Lien-Hua have put into fundraising, the charter school, whose curriculum was written by a private corporation, still lacks resources. So Avi and Lien-Hua and all the other parents have agreed to pay \$1,500 per year per pupil to the school to make up the shortfall.

Well, sort of.

Avi, Lien-Hua and the other "Founding Parents" of the charter are committed to a school that reflects the diversity of their neighborhood. So they've done considerable outreach among lower-income residents. About 50% of the students in the charter qualify for free lunches. Avi and Lien-Hua love the diversity, but admit that the parents of those children can't possibly afford the \$1,500 shortfall. So parents like Avi and Lien-Hua make up the difference.

Avi sits back and chuckles to himself when he reflects on the two years of his life he's devoted to the school. "When Grace starts kindergarten, we'll be paying \$6,000 a year for a public school with an untested curriculum inside a halfway house," he says, rubbing his hand through his thinning hair. A look of exhaustion comes over his face. "How did this get so messed up?"

## A Brief History of Prop 13



### Roll Camera: Before the Fall

The story of how things got so messed up begins before Avi or Lien-Hua were even born.

It's the Fall of 1962. California has suddenly become the most populous state in the nation.

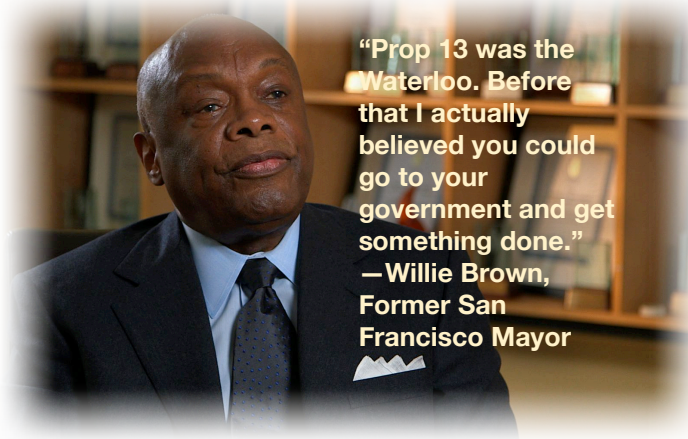
Newsweek runs a glowing cover story on what the magazine calls "No. 1 State:

Booming, Beautiful California." The state is in the midst not just of a population boom, but also a public building boom. There are \$10.5 billion worth of new freeways and expressways, \$3 billion worth of state-of-the-art canals, aqueducts, reservoirs and pumping stations that protect communities from flooding while also delivering water to farmers and urban users in Southern California. Twenty classrooms a day are added to the state's grammar and high schools. At the university level, six new campuses have been built, with gleaming medical schools, law schools and research facilities that transform the California university system into its

own West Coast Ivy League. Except that tuition is virtually free.

So how did our parents and grandparents do it? Through interviews and archival footage, we'll see that, as the journalist Peter Schrag puts it, "no state had ever invested in public services and development as California did in the 1950s and 1960s." Public money was spent lavishly on the public good. As a result, California rose above the other states to become an incredible place to live, filled with people who seemed ready to rise to any challenge.

### Dissolve To...



We'll take our camera around today's California, talking to the citizens who live here now. We'll ask them about the broken roads, the crowded freeways, the trailer park grammar schools, the expensive, crowded university system that's laying off its greatest

scholars and outsourcing teaching to privately operated online operations, and the water system that's an earthquake away from catastrophic flood.



### How Did Property Taxes Used to Work?

Prior to 1978, each city, county, school district, and special district in California would set a property tax rate, and the combined rates constituted a homeowner or business's property tax bill. As a result, tax rates were determined locally and the money was, for the most part, spent locally, with about half of it going to local schools.

## A Brief History of Prop 13



### Cut To: So What Happened?

Our camera heads back in time for a quick history lesson, delivered through the use of historical footage, archival photos, and both old and new interviews with the major players in the story of Prop 13.

That story begins, as one might expect, with tax relief. No one has ever argued seriously that, by 1978, California homeowners didn't need some sort of tax relief. The state was in the midst of a real estate boom. As a result, from 1974 to 1978, the value of an average home in the Golden State doubled to \$71,000—at a time when the average price of a home nationally was still \$49,000. And as housing prices rose, so did property taxes. In Sherman Oaks, one family's tax bill hit \$2,400, almost as much as the annual mortgage.

Enter Howard Jarvis, the anti-tax absolutist zealot who, by 1978, had already tried twice to destroy property taxes in California, and his on-again, off-again partner, Sacramento realtor Paul Gann. By combining their forces with a couple of opportunistic political consultants who became known as “the Darth Vaders of direct mail,” Jarvis and Gann were able to convince the electorate to support a ballot initiative that really was against their interests. Their message to voters was simple: “Sign this—it will help lower your taxes.”

The most common claim that Jarvis and Gann made was that elderly property owners (“the little old lady in Pasadena,” as she'd come to be known), would be taxed out of their homes. Maybe, maybe not—“a surprising number of those widows turned out to be wealthy real estate investors,” as Peter Schrag notes—but one of the key elements of Jarvis' success was selling his bag of goods to an older generation. This

### What, exactly, does Prop 13 say?

#### Medium Close-up

- Rolled all property values back to their 1975 levels
- Fixed the property tax rate at 1% of the purchase price of the property
- Limited property tax increases to 2%

*Yeah, yeah yeah. Tell me something I don't know.*

#### Extreme Close Up

- Applies both to residential *and* commercial properties
- Property is only reassessed upon change of ownership or new construction
- Mandates 2/3 majority of voters or legislators in order to raises any and all taxes--both locally and at the state level (55% threshold for school bonds since 2000)

Read the full text at

[www.leginfo.ca.gov/.const/.article\\_13A](http://www.leginfo.ca.gov/.const/.article_13A)

is important—look at the 1962 Newsweek and you see young families cavorting on the beach. Look at Jarvis and Gann and you see old men ranting against the government—hardly the image most of us associate with what might be the nation's most progressive state.

On the other side of the story, we'll see the ineptness in Sacramento that opened the door to Jarvis and his cohorts. We'll interview the legislators who couldn't seem to put together a tax reform bill on their own and, of course, Governor Jerry Brown, who by his own admission failed to



## A whole lot of people get something for nothing

People often shrug and laugh when they discuss what is perhaps the best-known consequence of Prop 13: two homeowners in very similar houses often pay very different amounts in taxes. In fact, you and your neighbor can pay very different property taxes. That's because taxes are fixed to purchase prices, not market values.

Funny, right? The only problem is, the services for both people are the same.

Both homeowners drive on roads, call 9-1-1 when their houses catch fire and send their kids to the neighborhood school. But only one of them is actually paying for those services. We'll look at plenty of examples of this disparity, driving down whole blocks and showing the crazy mix of assessments. One West LA block, for instance, features assessments that range from \$40,000 to \$500,000, all for very similar homes. Does the person in the first home only use 8% of the services that the person in the latter uses?

At the same time, wealthy people who have lived in their mansions for a while often pay less tax than middle class people living in recently-purchased modest homes. There's a well-documented case from 1989 where the owner of a \$2.1 million mansion in Malibu paid the same taxes as the owner of a \$170,000 home in Baldwin Hills.



**The owner of the Baldwin Hills home, left, pays the same taxes as the owner of the Malibu home, right.**

## Back to the Middle Ages

Prop 13 opened the floodgates to a series of constitutional amendments which only strengthened Prop 13—and weakened the state. One of the most ill-conceived, Prop 58 (1986), froze the tax assessment on property when a home is passed from parents to children. So if your parents are paying 1986 taxes, they can simply gift you the house and you too can pay 1986 taxes. Forever.

Meanwhile, textbooks cost 2013 prices. Asphalt has to be purchased at 2013 prices. Lightbulbs for traffic lights are billed in 2013 dollars.

Some people call this the “dynasty provision,” because it formally created “what may be the nation’s first legally defined hereditary nobility of property.” Which is to say, we’ve adopted a system of gifting land that went out of fashion 1,000 years ago. Ever wonder what a light bulb cost in 1066?

## The Aftermath of Prop 13

tackle the property tax problem. It would have required “more time than I had attention span to deal with,” he later admitted, “and I didn’t have the stomach for it.”

### Cut To: The Day After

California voters approved Proposition 13 by about a 2-1 margin. In the first five years after its passage, the average California homeowner saved about \$10,000 in property taxes. The level of taxation per \$1,000 of income dropped 20% the second the polls closed.

People looking to lower their tax bills weren’t the only immediate winners. Here are some more:

**Big Business:** Since Prop 13 applies to commercial property, businesses also saw their property taxes rolled back. Pacific Gas and Electric Co., for example, ended up with tax savings amounting to \$90 million.

**Washington, DC:** Because Prop 13 reduced local property taxes, which are generally deductible on federal returns, Californians actually ended up paying higher federal (and state) income taxes as a result of the measure.

**Realtors:** The real estate industry reaped massive rewards. Money that used to be paid in taxes was generally added on to the purchase price of homes; bigger home prices meant bigger agent commissions.

### Change Reels

#### Dude, Where’s My State?

The second the polls closed on June 6, 1978, the California state treasury lost \$7 billion.

Now comes the meat and potatoes of our film: a close-up look at the consequences, intended or not, of Prop 13. We’ll break these consequences down into categories, and trace the 35-year decline of the Golden State across each category.

## Welcome to Planet Fee-Pay

Need an accident report after that fender bender? Pay a fee. Want to hold a neighborhood meeting at the rec center? Pay a fee. Send your kid on a field trip? Pay a fee. Swim in a public pool? Play tennis on the local courts? Get your trash picked up? Have your kid play little league? Clear a fix-it ticket? Visit a state park? Join a sports league? Drive a highway in Orange County? Fee, fee, fee, fee fee!



Such fees, once unheard of (fees to play in the little league—really?) are now a way of life in California. They are yet another way that localities make up for lost tax revenues.

But the fees have costs beyond their sticker prices. For the wealthiest Californians, regressive fees are a nuisance; but for the middle class and the poorest Californians, such fees become penalties that make California “a meaner, shabbier, more dangerous place,” as Mathews and Paul describe it. And by this measure, Prop 13 achieved a major milestone: it widened the gap between the haves and the have-nots, making public services more accessible to richer residents than those in the middle class.

## The Aftermath of Prop 13

**1. California's local governments ran out of money.** Counties lost 40% of their revenues overnight. Counties provide health and social services and run jails and courts. Since very little corporate lobbying is done on behalf of these services, they've all deteriorated steadily for 35 years.

Meanwhile, cities lost 27% of their revenues. Today California's cities receive almost no property tax revenue whatsoever.

Right away, local governments asked Sacramento to bail them out. Some, like Bill Lockyer, who was then a young Assembly Member, argued against a bail-out. "People should see consequences of their votes," he argued. But people like Lockyer lost the battle, largely because the state had been running a surplus prior to Prop 13's passage. Consequences be damned.

**2. As a result of No. 1, the entire governance of the state was reorganized overnight.** With localities suddenly entirely reliant on the State government for financing, local control over local resources went the way of the Golden Bear.

To see this in action, we'll take our cameras to Sacramento the day the state budget is released. We'll show hundreds of paid lobbyists lined up, waiting for the budget. Who do they work for? Who are they? Who spends all of this money lobbying Sacramento?

The answer is we do. California's cities and counties spend more than anyone else lobbying Sacramento—in essence, trying to get their money back. This is, of course, one of the greatest ironies about Prop 13. Its backers hated "big government." But

Prop 13 did more than any other initiative in the history of the state to centralize power and money in Sacramento. Now, as the lobbyist tale illustrates, localities have to beg Sacramento for money every year—money that originates in our communities. As one observer noted, by essentially transferring so

much budgeting power in the state to Sacramento, Prop 13 turned the California legislature into the world's largest school board.

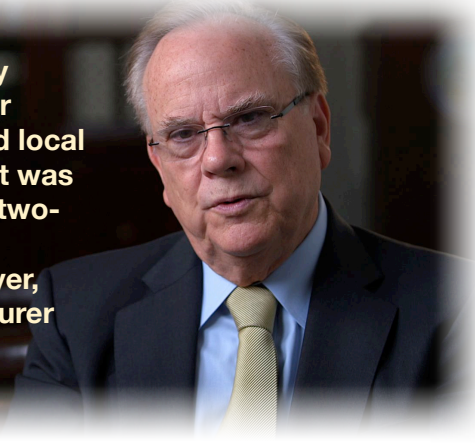
**3. Which brings us to perhaps the best-known consequence of Prop 13: it destroyed public education in California.**

It started right away. California school spending dropped to 40th in the nation. 100,000 public sector jobs were eliminated in 1979, 72,000 of them in schools. Schools started slashing programs like summer school, sports and electives like music and art. Counselors, nurses and librarians all got the axe. Some people still believe this was an unintended consequence of Prop 13, but Jarvis called electives "frills" and summer school "nothing more than a baby-sitting program." As for the governor, at the time he called school spending wasteful and said the curriculum was "irrelevant" to kids.

35 years later, we'll take a hard look at what Prop 13 has really meant to education. Today, California ranks 47th in spending per pupil and dead last in student-teacher ratios (i.e. class sizes are enormous). We rank last in the nation in the number of students per librarian, with just one librarian for every 5,489 students.

**"The money available for schools and local government was cut almost two-thirds."**

**—Bill Lockyer, State Treasurer**



## The Aftermath of Prop 13

And let's remember that the horrible state of California's schools doesn't just apply to poor kids. Schools in the state's toniest suburbs are as radically underfunded as those in the inner cities. No matter who you are, what your level of wealth, your race or your religion, thanks to Prop 13, you can be assured of sending your child to an inferior school.



### 4. Higher education dies a slower death.

At the higher ed level, the picture isn't a lot brighter. Initially, a succession of governors protected Californian's public universities from drastic cuts. In fact, until 1991, the system didn't charge students tuition.

But by 1991, as property values and property taxes became ever more disparate, the levy broke. Between 1991 and 1995, general fund spending on education declined by more than 20%. Basic charges doubled to \$4,000 a year. In the last decade, spending on higher education has declined by 9% and today, the University of California reports that tuition costs \$13,200.

But money doesn't tell the whole story. We'll interview prominent professors who were forced into early retirement and of course, legions of students who, thanks to cutbacks, can no longer complete a four-year degree in just four years and who suddenly find themselves saddled with debt after they graduate from public universities.



### 5. Every other service dies slowly too.

Local parks? Shut down. Libraries? Shasta County has closed 11 of its 14 libraries. Rec centers? Shuttered. Tree trimming? Yeah, right. Street paving? The streets in downtown Baghdad are

probably better paved than Cahuenga Boulevard. No surprise there—California ranks last among states both in per capita highway spending and in percent of per capita income spent on highways.

We'll take our camera all over California and demonstrate vividly that in three decades, our infrastructure has crumbled and our public services have been left to wither on the vine. And again, the remarkable thing about this is that it does not just apply to the poorest neighborhoods—in every district in California, we'll discover a landscape that, after 35 years of neglect, is beginning to look like a dystopian sci-fi film.

Okay, you've convinced me. Let's just raise taxes! Which brings us to...

**6. Prop 13 prevents us from accomplishing anything by requiring an 'absurd' 2/3 threshold for all tax increases.** That threshold, which is as un-democratic as they come, has, for 35 years, prevented all of California's communities from choosing to raise their own taxes. In Alameda County in 2012, measure B1 would have increased an existing half-cent transportation sales tax to a full cent and raised nearly \$8 billion over three decades for roads, freeways and public transit.

In need of 66.67% of the vote to pass, the traffic congestion-fighting measure garnered only 66.53%. The measure lost by 0.14 of a percent—or fewer than 800 out of the 527,403 votes cast. The tiniest minority of voters killed \$400 million in transportation funding and with it, a BART extension to Livermore. (It's worth noting that in Los Angeles County, 16,000 stingy voters killed the transportation-funding Measure J that same year.) As LA County Supervisor Zev Yaroslavsky says, "Only in California can 66% be considered a loss. It's an absurd threshold that's been imposed on us."

Unfortunately, the legislature doesn't have much more choice than the rest of us when it comes to



## Prop 13 is Business-Unfriendly

raising revenues. California actually cut taxes and fees when the coffers were flush during the dot-com bubble of the late 1990's. But when the money dried up, the only way to raise revenues again was to give in to the minority party's demands for a permanent \$2 billion a-year tax cut for large multistate corporations.

During the Schwarzenegger administration, the preferred method for raising revenues became borrowing. This enriched Wall Street banks, but did little to solve California's long-term problems.

Another irony: Prop 13's proponents claimed that the measure would provide stability to California's finances. 35 years of budget gimmickry show how wrong they were.

### Prop 13 and Business

To reiterate, Prop 13 doesn't just apply to residential homeowners. It also applies to commercial properties. And since businesses turn over far less often than homes, they're reassessed much less frequently. As a result, most of the benefits of Prop 13 go to commercial property owners. In fact, a new study shows that residential property owners in LA County now shoulder 75% of the property tax burden, higher than it ever was before Prop 13.

As a result of the above, many businesses, like many homeowners, suck the state dry of services while paying very little for them.

Out-of-state businesses have no incentive to do business in California. Think about it. How can you compete against a business that's barely paying property tax? The fact of the matter is that Prop 13 is anti-competitive and anti-capitalist.

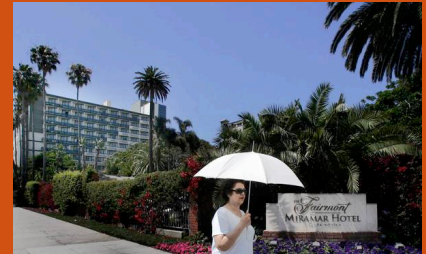
### Badlands

The crappy donut shop with the meth heads down the street? It isn't going away. Neither is the strip club across from your kid's junior high school. Or your friendly neighborhood convenience mart, body shop, junkyard, massage parlor or vacant plot of

## The Michael Dell Loophole

After Prop 13 passed, a legislative task force ruled that a tax reassessment is triggered only when a single person or entity takes control of more than 50% of a company that owns the property.

So when Michael Dell, one of the world's richest men, went to buy Santa



Monica's Fairmont Hotel in 2006, he arranged for three partners to buy Ocean Avenue LLC, the holding company that owned the hotel. As a result, legally the Fairmont has not changed hands and is still taxed as though it were worth \$86 million (which is what it was in 1999), even though Dell paid \$200 million for it.

The Dell Loophole, which starves the rest of us of \$1 million per year in state services, was not created by Michael Dell. Sad to say, most wealthy corporations avail themselves of it. In 2002, E&J Gallo, the world's biggest winemaker, purchased Louis M. Martini, which owned more than 1,000 acres of prime Napa and Sonoma County vineyards. None of the property was reassessed because Martini was divided among 12 Gallo family members, none of whom acquired more than 50%. Some of that property today is worth more than \$150,000 an acre but continues to be taxed based on its 1975 value of a few thousand dollars an acre.

## Land Use and Development

land. You see, outside of California, as neighborhoods improve, land values rise, and property tax assessments go up. As a result, the owners of what the economist Lenny Goldberg calls “inefficient, low-level land uses,” but which the rest of us call “blight,” feel the squeeze of rising land values and choose to relocate.

But because Prop 13 keeps their taxes artificially low, these sorts of businesses don’t feel the squeeze and new businesses don’t turn these places into higher value-producing property. To find examples of this, we can roll our cameras

down any commercial street in Los Angeles, where strip malls with 50 year old donut shops sit just a few feet away from multi-million dollar homes owned, presumably, by people who don’t eat many donuts.

### Land Use

Planning and zoning choices no longer take into account what’s best for the community. Instead, they’re based on seeking out the highest sales tax revenues. The City of Monrovia recently passed up a Datatape manufacturing plant that would have provided hundreds of good jobs, instead choosing to build a Price Club. The city manager said it was a no brainer—he needed the sales tax revenue.



### Let’s build a bunch of strip malls!

Competition for sales tax revenue has created a war among California’s cities. They secede from each other and butter up big-box retailers to attract them to their communities. Homes and apartment buildings do

not bring in sales taxes; stores do. So do car dealerships. And hotels, which also bring in occupancy taxes.

One of the myths of California is that the car culture created our current blighted moonscape of strip malls and seedy hotels. But the truth is that, since we’re desperate for sales taxes, we created an environment (if you can call it that) that caters to cars and produces a lot of sales tax. Remember that the next time you drive your car past an auto mall, into a strip mall, pick up a box of fast food and stop in for an Oriental massage.

### Some Fees Make Us (Almost) Feel Sympathy for Real Estate Developers

Regressive fees, as opposed to progressive taxes, are inherently problematic for individuals. But such fees also impact businesses, and their impact on land developers in particular has come to define the very landscape of our state in quite profound ways.

Again looking for ways to make up for the tax shortfall, local governments enacted developer fees. These fees are used to pay for roads, sewers, parks, schools and other needs that new development inherently brings. Such fees became “the single most important source of new public capital in the state,” according to the State Senate Office of Research. Most of the fees are assessed as a cost per unit and get rolled into the price of a newly built home.

The problems with these fees are manifold:

1. They often cover costs for the new neighborhood, but do nothing for existing neighborhoods. So a far-off exurban



“The homeowner rebellion has resulted in a windfall to corporations.”  
—Antonio Villaraigosa, Former Los Angeles Mayor

## Land Use and Development

development's roads might get paved, but what about the highways needed to carry all those new commuters into the existing city center?

2. They're inherently unfair. As the *New York Times* wrote, "newcomers, many of whom struggled mightily just to make their first down payment, are subsidizing public services for low-taxed landed gentry."
3. They favor the building of expensive homes. Think about it: it's much easier to roll a \$25,000 fee into a \$750,000 McMansion than a \$200,000 starter home. So there's no incentive for cities or developers to build anything approaching affordable housing. As a result, our cities face the peculiar problem of overcrowding. It's hard to believe, but Los Angeles has a greater population density than New York City!



4. They encourage "dumb growth" and destroy our landscape. Cities and counties are starved for money just to keep up with their current residents' needs. Allowing developers to

build new homes on every ridge top and in every undeveloped nook of open space brings with it the promise of lots of cash for infrastructure improvements.

### Change Reels A Look at the Future

In the final part of the film, we'll look at smart, easy, modest proposals that would fix the problems wrought by Prop 13.

Let's start with the obvious: Erase Prop 13 from the state constitution. Great idea, but if we were to do this, in a flash:

- The largest real estate market in the world would crash
- Millions of people would be taxed out of their

### Rack Focus: Assessors

Prior to 1978, county assessors used to set tax rolls. Jarvis demonized them as crooks, pointing out the rare, corrupt ones, like San Francisco's Russell Wolden.



Known as the "Crooked Assessor," Wolden took bribes from businesses in order to lower their assessments.

But not only were men like Wolden the exceptions to the rule, almost all of their colleagues behaved completely the opposite. For decades, assessors had actually kept tax assessments for residences lower than for commercial properties. In San Francisco, for example, homeowners were paying taxes on 9% of market value while commercial property owners paid 35%, on average. As Joe Mathews and Mark Paul, the authors of *California Crackup*, point out, "assessors were elected officials...They did not earn their tickets to reelection or promotion by rapidly rising assessments on voters."

And to add irony to the stew, in 1968, reacting to the perception that assessors weren't being fair, the legislature passed AB 80, which assessed all property at 25% of market value—higher than any homeowner was, in fact, paying at the time! Ironically, it was a progressive desire to fix the tax system that made it more dependent on residential taxpayers and less equitable than ever.

## Solutions

homes (for real this time)

- All of the laws and policies developed around Prop 13 would be called into question and create mass confusion
- Widespread panic would probably cause people to reinstate Prop 13.

One of the biggest arguments against Prop 13 is that its backers didn't predict the measure's effects.

Replacing it with another poorly thought out measure is clearly not the answer. Instead, we'll look at solutions that

- Raise revenues at the local level and reinstate local control over those revenues
- Protect property owners from being taxed out of their homes.
- Are progressive (i.e. don't favor the rich)
- Account for the divergent values of commercial and residential properties
- Can be phased in slowly, so as to minimize economic disruption

### Some Pretty Decent Ideas

- Gradually reassess business property at market value. There is no compelling reason whatsoever for the tax breaks that California's businesses enjoy under Prop 13. So let's remove them. The tax rate could stay unchanged—at least at first—but over time commercial properties would be assessed at market rates. This change alone would yield \$10 billion.

It's worth noting here that, contrary to what the California Chamber of Commerce claims, a Stanford University study just last year found no link between tax rates and wealthy Californians' decisions to leave the state.

What's more, the notion that Prop 13 protects small businesses is laughable. Instead, it promotes blight. They're two different things entirely.

- Change the definition of ownership so that commercial property owners can't circumvent tax increases by claiming to own "less than 51%" of their properties. Note that this can be done in the

## Did a Court Decision Cause Prop 13?

Dartmouth economist William A. Fischel was studying Prop 13 when he came across an interesting paradox. Two previous ballot initiatives, both of which were very similar to Prop 13 and would also have lowered property taxes, failed before Prop 13 passed.

So what changed?

Fischel points to two important state supreme court cases, known as Serrano I and Serrano II. In these two cases, the State Supreme Court ruled that using local property taxes to pay for schools violated the state constitution. That's because low rates in wealthy cities raised far more than high rates in poorer cities.

The court ordered the legislature to correct this imbalance, which it did by capping the rate of local revenue that a school district could receive and distributing excess amounts among the poorer districts.

Fischel writes convincingly that this act separated local property taxes from local schools. When voters no longer saw the immediate value of local property taxes, they didn't care much about preserving them.

## Solutions

legislature, and that AB 2372, which is currently before the legislature, would do just this. Should it pass, tens of millions of dollars would immediately flow toward local school districts.

- Periodically reassess residential properties to bring their valuations up to current market values. Paying taxes at 1978 levels doesn't make sense. So let's slowly and steadily raise residential valuations to market levels. But let's also build in some homeowner protections:
  1. Install circuit breakers that prevent taxes from rising too high or too quickly, by tying increases to, say, previous valuations or homeowner incomes.
  2. Raise the rates as a percentage of assessed value and market value. Such a link would ensure that commercial property taxes don't rise too quickly.
  3. Increase the \$7,000 homeowner's exemption. Hard to believe, but a constitutional measure that predates Prop 13 still provides homeowners with a \$7,000 exemption on their property tax bills. This measure is outdated and unnecessary in light of the last 35 years of property tax changes. But other states have long been able to protect homeowners by exempting more of their property. A \$100,000 exemption, for example, might protect middle class homeowners from being taxed out of their homes.
- Simply give local communities the right to tax themselves any way they like. Even if Prop 13 stayed the same at the state level, why not erase the provisions of the measure that mandate 2/3 majorities at the local level to raise taxes? So if voters in San Francisco want to tax themselves,

and they want a system where 50% plus 1 of voters can decide taxes, let them do it. Meanwhile, if you live in Fresno County and don't want a low threshold for taxes, your County's residents could decide that for themselves. In this way, local authority and democracy could be returned to

California's communities.

- Allow counties to institute income taxes. All of California's counties have a wide range of incomes, and progressive income taxes at the county level would allow local communities to spend money earned locally on schools, parks and other neighborhood

services.



**"My six-year old son has to do a walk-athon to raise money for his school."  
— Tamir Halaban, Parent**

### **Pull Back Wide and Tilt Camera Up: *How much are we talking?***

Avi and Lien-Hua didn't know much about Prop 13. "I think it had something to do with taxes," Lien-Hua said when initially asked about the measure. But after an extensive explanation of Prop 13, both Avi and Lien-Hua became intrigued. Like so many Californians, they're ready for a change.

But before she gets her hopes up, Lien-Hua asks the inevitable question: "So how much are we talking?"

In 1996, Robin Greene, who had moved from Thousand Oaks to the suburbs of Rochester, New York, wrote a glowing report about her new neighborhood for the Los Angeles Times. Greene said the schools in Rochester were fully staffed with psychologists, music teachers and guidance counselors. The neighborhood had parks and services galore.

## Visual Style & Narrative Tone

Sure enough, Greene paid more for those services. But how much more? Greene did the math. Property taxes on the home in New York? \$6,660. In Thousand Oaks? \$3,200.

At first Avi scoffs. “I’m already paying a lot in property taxes.”

But then Lien-Hua hits him with a pillow. “Dude, we’re paying \$6,000 a year extra to the charter school!” she says.

Avi’s eyes light up. He thinks about the true cost of Prop 13: the fees! The weekends spent asking local businesses for handouts; the walk-a-thons; driving the kids to music lessons twice a week because his school can’t afford a music teacher; the noise from the auto shop on the corner, whose vicious Doberman guard dogs bark all night. Look at Avi’s eyes. Watch them as he considers the true cost of Prop 13. There is hope for California. There is hope.

## Visual Style and Narrative Tone

Let’s face it: a film about taxes doesn’t sound very exciting. And indeed, one problem with previous examinations of Prop 13 is that they tend to get bogged down in the details of tax reform.

But this film is about people. Not tax reform. (Yes, we’ll note that reversing just one year of Prop 13’s tax loss could fund California’s state transportation system for 10 years.) We’ll tell the story of Prop 13 by telling the stories of the lives affected by it—for example,

- A middle class family struggling with bad schools, broken roads, no college counselors, no arts instruction, and endless user fees for school sports,

band practice, arts classes, private summer camps, etc.

- A teacher in a middle class school who has to buy her own supplies, work in a building that’s rotting from the ceilings, and who faces layoffs every single year.

- A college student struggling to pay fees at a public state college. Watch as she tries to make ends meet and faces a lifetime of debt—even though she goes to a state school.
- A land developer who wants to build houses but who has to pay huge fees to cover the costs for road

construction, sewer hookups, etc. And who would like to build moderately priced homes but who can’t because you can’t wrap those fees into a sales price and still expect to have a moderately priced home.

- A city manager who says, honestly, that he goes home at night defeated because the only thing his city can pay for anymore is a police force.

This film will be heavy on slick graphics, using the medium of film to its full potential. Just imagine seeing a 101 freeway running through Silicon Valley with a train running down its center, or a gleaming Interstate 5 that no longer shrinks to four curvy lanes as it makes its way south of downtown LA. Or the Wilshire Boulevard corridor animated with all the improvements we could make to our local schools if we just taxed commercial property like every other state in the union.

Likewise, we don’t intend to treat Prop 13 in academic tones. This is about our lives, after all.

“It took great power away from local communities and local government and centralized it in a small, mediocre city in the heart of the state called Sacramento.”  
— Joe Mathews  
Journalist



## Distribution Plan

This film is going to be provocative, and funny and heartbreaking and maddening and entertaining.

As this proposal demonstrates, the story of Prop 13 has all of these narrative qualities.

The film will be narrated by celebrity narrators in both Spanish and English.

## Target Audience

Our target audience is reasonable Californians who don't have rigid conceptions about Prop 13. We will probably not sway many "Tea Party Patriots" that Prop 13 is bad. But an entire generation has grown up since Prop 13 was passed. This being California, millions of people have emigrated to the state and found themselves wondering why they can't send their kids to public school and how come there isn't a neighborhood park near their million dollar house.

Hack pundits and television journalists who call Prop 13 the "third rail" of California politics are using stale metaphors to describe a stale ballot initiative that is hurting Californians who might not vote for it today.

This generational shift is on our side. A recent poll conducted by the LA Times showed that two-thirds of young voters supported Prop 30, which raised taxes for public services. Dig deeper and you'll discover that Democrats, who now dominate California's political landscape, favored the initiative 4-1. 58% of Latinos and 68% of blacks voted for it. Turns out people don't hate public services as much as Fox News says they do.

What's more, many groups, from California Calls (which played a large role in getting Prop 30 passed) to Evolve and Educate Our State, have already begun large-scale community and political operations aimed at changing Prop 13. Most of

these groups are focused on getting a "smart-roll" measure on the 2016 ballot. These groups indicate the wind is at our backs—Californians of all stripes are ready for change and are open to debate about these issues.

## Distribution Plan

Documentary film has become one of the most effective ways to reach audiences and educate them about critical issues. The problem of global warming was well-known for years, but it didn't truly grip the public consciousness until *An Inconvenient Truth* showed us that polar bear adrift in the sea.

Millennials who grew up eating MacDonaldis on road trips now pack their lunches because *Food, Inc.* showed us the rampant abuse of animals and people in the fast food industry.

Perhaps even more relevant to this film, *Race To Nowhere* has convinced millions of parents and educators that the one size fits all culture of achievement in America's schools is having a negative impact on children and families. Because of this film, thousands of parents across the country routinely tell their young children not to do their homework.

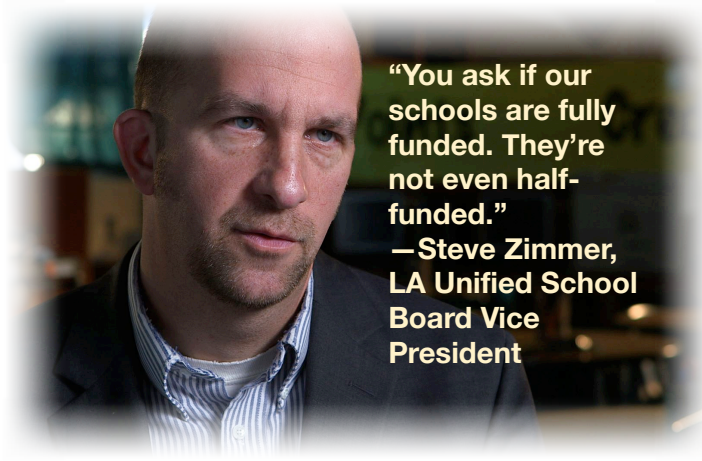
The distribution model pioneered by *Race to Nowhere* will serve as a model for how we connect our film with audiences. Since it was initially released in 2010, the film has been screened more than 6,000 times and launched a national dialogue about education.

Likewise, we intend to launch a statewide dialogue about Prop 13 here in California, through the following three distribution channels:

1. **Theatrical Screenings.** Theatrical screenings are important for awards consideration and also build buzz among the press, reviewers and regular filmgoers. We anticipate at least a week-long run in both Los Angeles and San Francisco.

## Budget and Financing

2. **Film Festivals.** Festivals such as Sundance, the Los Angeles Film Festival and dozens of others are the perfect place to connect with serious filmgoers and press outlets. Plus, festival screenings and awards help build buzz and create a must-see aura around new films.
3. **Community Screenings.** Since 2010, there have been more than 6,000 screenings of *Race to Nowhere* in schools, local theaters, churches, synagogues and other community venues. We're going to follow this model, screening the film in grass-roots venues. A discussion will follow each screening, allowing the audience members to engage one other, share stories and to discuss the issues raised in the film. (Discussion Guides will be provided to screening hosts.) Last, participants will be encouraged to join the Action Campaign (see below).



**“You ask if our schools are fully funded. They’re not even half-funded.”**  
**—Steve Zimmer, LA Unified School Board Vice President**

- Even before the film is completed, we’ll ask Californians to send in pictures and videos of their schools and neighborhoods. The goal is to have an invested audience before the film is even in the can.

- A website with more information about the film and Prop 13, including:
  - A regular blog about how Prop 13 adversely affects our everyday lives in California. Bloggers will include the filmmakers as well as prominent elected officials and community leaders

- A news-feed with the latest info on Prop 13 and the campaign to improve it
- Screening information, so people can attend a showing in their community
- Information about how to host a screening in your home
- Press coverage of the film
- Information about upcoming actions and ways to get involved in the campaign
- Earned media in major newspapers and television news shows
- Letter-writing campaigns to elected officials
- Op-Ed pieces in local newspapers and guides on how to write and op-ed

### Action Campaign

The purpose of this film is to engage viewers and motivate them to take action to change the status quo. As such, we’ll launch a Social Action Campaign concurrent with the film and use the film to engage viewers in the campaign.

When people attend screenings, they’ll be asked to sign in, so we can contact them later. We’ll encourage them to join the campaign and follow us on social media.

Key aspects of the Action Campaign include:

### Budget and Financing

Total Budget: \$500,000

Major Funders (as of September 2014):

SEIU Local 721: \$10,000

Community funding is available on IndieGoGo.com

### Production Schedule

Production will take place in two phases:



## Meet the Filmmakers

Phase I: Raise seed money to make a demo reel—through summer, 2014

Phase II: Raise additional financing and produce final film: through Fall, 2015

**Mark Mosher** | Principle, Barnes Mosher Whitehurst Lautner & Partners

## Meet the Filmmakers

**Lowell Goodman** – Director, Executive Producer, Line Editor

Lowell Goodman has written, directed and produced hundreds of hours of documentary and reality programming for ABC, Fox, Discovery, MTV, HGTV, E!, PBS and others. His credits include Trading Spouses (Fox), California Connected (PBS), The Entertainer With Wayne Newton (E!), The Miss America Pageant (ABC) and many more.

Lowell is currently Deputy Controller for Communications in the City Hall office of Los Angeles Controller Ron Galperin. Previously, Lowell was the Communications Director at SEIU Local 721, the largest public-sector employee union in Southern California. He regularly ran action campaigns on behalf of SEIU 721's 80,000 members.

Lowell graduated with distinction in Humanities from Yale University. He lives in Los Angeles with his wife and two children, who attend public school.

Proposition Documentaries, Inc. is a signatory to all of the major Hollywood guilds. "Unintended Consequences" is a union production.

## Advisory Circle

We are proud to be advised and supported by a knowledgeable group of prominent Californians:

**Rick Jacobs** | Founder, Courage Campaign and Deputy Chief of Staff for Operations to L.A. Mayor Eric Garcetti

**Bob Schoonover** | President, SEIU 721