~YJOumal
CITY ..... WIM __ ...
William Voegeli
Don't Blame Proposition 13
Profligate spending, not property-tax reform, has put California in a hole.
Spring 2010

In 1978, Californians enacted Proposition 13, the famous ballot initiative that rolled back property taxes and made it harder for assessors and legislators to raise taxes in the future. The experts still haven't forgiven the voters. In 1994, Columbia historian Alan Brinkley ascribed Prop. 13's passage to Californians who believed that they could get "something for nothing: substantial tax relief without a reduction of services." In 2009, the *Washington Post's* Harold Meyerson blamed the "malign initiative" for "effectively destroying the funding base oflocal governments and school districts" while empowering Republican "Neanderthals" in the state legislature, who refuse "in good times as well as bad to raise business or other taxes." Earlier this year, Joe Klein of *Time* wrote that the proposition had made California "Exhibit A of a public pathology that we've inherited from the Reagan Era: the public wants a modified welfare state, excellent schools, a clean environment, low college tuitions ... but it's not willing to pay for them."

You get the picture. According to liberals in politics, journalism, and academia, Proposition 13 is *the* reason for California's worsening fiscal nightmare and the declining quality of the state's public services, and the motives behind it were deplorable. And because Prop. 13 ignited a national tax revolt that remains potent, the Left also blames the measure for much of what it thinks has gone wrong in American political life generally over the past three decades.

Yet no matter how often their moral and intellectual "superiors" denounce them, California taxpayers continue to insist that the problem isn't their purported stinginess but their government, which makes lousy use of the considerable funds that it continues to receive. On this point, the voters aren't being stubborn, greedy, or stupid. The voters are right.

The first thing to recognize is that Proposition 13 did not destroy the tax base of California's local governments. True, the average property-tax rate has fallen from 2.67 percent in 1977 to 1.1 percent today, observes David Doerr of the California Taxpayers' Association. But the state still brings in a lot in property taxes. By 2007, the year of the most recent Census Bureau data comparing state finances, California's state and local governments levied $1,141 in property taxes per capita, less-but only 11 percent less-than the corresponding average, $1,288, for the other 49 states and the District of Columbia. Property-tax revenues in the state have increased from $4.9 billion to $47 billion in the 30 years since Proposition 13. Adjust those figures for inflation and population growth, and property-tax revenues in California were 87 percent higher in

2009 than they were in 1979, chiefly because of rising property values.
And even if one tax is limited, others can rise. A recent article in the *California Journal of Politics and Policy* by Colin McCubbins and Mathew McCubbins shows that, adjusted again for popUlation growth and inflation, total state and local tax revenues in California were higher ten years after Proposition 13's enactment than they were just before-and that they were half again as high in 2000 as in 1978. Census Bureau data show that California ranked tenth in the nation in 2007 in terms of per-capita receipts from all state and local taxes (property, income, sales, and excise taxes) paid by individuals and corporations. Per-capita receipts from individual and corporate income taxes were 64 percent higher in California than they were in the rest of the country: $1,764 in California, $1,077 elsewhere. All told, California's governments received $4,731 per resident from all taxes, 14 percent more than the $4,160 average outside California.

Ah, comes the objection: these numbers unfairly compare California with an aggregate that includes many rural states with low taxes and limited public services. But even if we confine our discussion to the ten most populous states in the nation, home to 54 percent of all Americans in 2009, California remains a high-tax jurisdiction. Its per-capita taxes exceed not only the national average but those of every other high-population state except New York.

Not only is California a high-tax state; it is even more conspicuously a *high-revenue* state. Things that aren't taxes, such as fees for government services, often have a high degree of "taxiness," as Stephen Colbert might say. "Charges and fees have become an integral part of the California budgetary landscape" because they "give the government a revenue stream that is not subject to limitation and hard for voters to track," the McCubbinses argue. For example, local governments impose assessments on real-estate developers for the infrastructure and public services that a new housing tract's residents will require. The developers then incorporate those charges into every unit's sales price. "Home developers estimate that fees, new infrastructure, and other mandated expenses now run to between $30,000 and $60,000 for each new home," journalist Peter Schrag noted in *Paradise Lost,* his book on California's fall from grace since the 1950S.
Thus it is that the Golden State, routinely described as desperately short of funds because of Proposition 13, brought in $12,776 per capita in governmental income from all sources-taxes, fees, federal aid, charges for government-administered insurance, and revenue from government-owned utilities-in 2007. This amount was the fifth-highest in the nation and second (again) only to profligate New York among the ten most populous states (see the chart above).
Californians have good reasons, then, to tune out the incessant lectures about how the state wouldn't be so screwed up if only they reached deeper into their pockets. And tune out they do. Though California has become one of America's most liberal states in other regards, Proposition 13 remains "the third rail of California government," as the Berkeley political scientist Jack Citrin wrote last year. "In the throes of the budget crisis of 2008 and increasing fiscal disarray, there was no serious talk of reforming the property tax system." A 2008 survey by the Public Policy Institute of California showed that Californians continue to favor Prop. 13 by a twotoone margin. Even 56 percent of self-identified Democrats said it was "mostly a good thing," compared with just 31 percent who said it was "mostly a bad thing."
The Californians who refuse to jettison Proposition 13 have a well-founded suspicion: that the state's public sector is starving on its high-calorie diet because of mismanagement and capitulations to public-employee unions. Consider public education: California spent $8,909 per pupil in 2007-08, according to the U.S. Department of Education. Twenty-eight states and the District of Columbia spent more; 21 spent less, including Florida and Texas, which are also large Sun belt states with enormous metropolitan areas and significant immigrant populations. Despite outlays that are in the middle of the scale, however, California students perform miserably on the U.S. Department of Education's National Assessment of Educational Progress. In reading, California fourth- and eighth-graders rank 48th among all states; in math, fourth-graders rank 45th and eighth-graders rank 46th. (Students in Florida and Texas do significantly better on all counts.)
One reason for California's poor performance may be that its pupil-to-teacher ratio is the country's secondhighest, behind only Utah. A public school with 1,000 students in California is likely to have just 48 teachers; the large classes that result hamper instruction. That problem stems from the efforts of the powerful unions that have helped make California public school teachers America's most highly compensated, with an average salary of $66,986, 24 percent higher than the national average. (The statistics, for 2008-09, are from the National Education Association.) Such high salaries prevent California school districts from hiring more teachers and perhaps raising those abysmal test scores.
In fact, California taxpayers find themselves charged exceptional prices for unexceptional public services in one area after another (see "The Big-Spending, High-Taxing, Lousy-Services Paradigm," Autumn 2009). Not

just California's schoolteachers but state and local employees as a whole receive higher compensation than their counterparts in the rest of the country, Census Bureau data show. A veteran reporter for the *Sacramento Bee,* Dan Walters, calculates that California's per-prisoner incarceration expenditures are 65 percent higher than the average for the nation's ten most populous states, costing the state's taxpayers an extra $4 billion per year. A recent *New Yorker* article on the University of California, lamenting its fiscal problems and predictably asserting that Proposition 13 "broke the government," mentions in passing that the ten UC campuses have 229,000 students and 180,000 faculty and staff-nearly four employees for every five students. And this after what the magazine calls "decades of whittling" in the state's financial support for UC, culminating in a "starveling" budget!

No one ever accused Milton Friedman of being sanguine about government's willingness to restrain itself. In hindsight, however, his hopes for Proposition 13 were excessive. Friedman argued at the time that limiting a government's entire budget, as the proposition did, was the only way to reverse the logic of interest-group liberalism, in which micro-constituencies, each focused intently on supporting a particular government program, invariably prevail against the general public, which lacks the time, awareness, and incentive to oppose those programs one by one. "We are not going to vote anybody out of office because he imposes a $3-ayear burden on us," Friedman wrote. By reining in the budget, measures like Prop. 13 meant that any "special group that wants a special measure has to point out the other budget items that can and should be reduced"or so Friedman thought.

Thirty-two years and hundreds of billions of dollars later, it's clear that government's manifest destiny to grow won't be so easy to halt. As furiously as liberals have denounced Proposition 13, conservatives have reason to be disappointed in a political victory that proved the Bunker Hill, not the Yorktown, of the tax revolt. The moral of the story is that expenditure and tax limitations, of which Prop. 13 was the prototype, can serve as valuable first steps but are neither decisive nor self-implementing. To get state and local governments to spend tax dollars reluctantly and for the benefit of the general public-rather than profligately and for the advantage of public officials, employees, and their favored constituencies-will require continuous exertion; episodic interventions in the political process won't be enough.

William Voegeli is a *contributing editor of* The Claremont Review of Books, a *visiting scholar at Claremont McKenna College's Salvatori Center, and the author of* Never Enough: America's Limitless Welfare State.