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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. 51, Issue 1 ★ Winter 2024-2025

VICTORY FOR PROPOSITION 13 AND TAXPAYERS

California voters dealt a decisive rejection to a ballot measure that would have made it easier to raise property taxes by getting around Proposition 13.

Proposition 5 was resoundingly defeated in the November 5 election after being placed on the ballot by the state legislature. It would have cut the vote threshold needed to approve local bonds (debt) from 66.7% down to just 55%.

“Bonds are the method that local governments use to borrow money,” HJTA President Jon Coupal said. “Since the 1879

California Constitution, local debt has required the approval of two-thirds of the local electorate. Proposition 5 would have removed this long-standing taxpayer protection, which is also a core element of Proposition 13.”

While an amendment passed in 2000 (Prop. 39) allows school bonds to pass with 55% approval, all other local bonds require two-thirds. Proposition 5 would have expanded that lower threshold to all bonds for “infrastructure,” broadly defined, as well as government-funded housing projects and programs.

Defeating Proposition 5 was the number one priority of the Howard Jarvis Taxpayers Association in the November election. The measure, which was called Assembly Constitutional Amendment 1 in the legislature, was proposed repeatedly by Assembly Member Cecilia Aguiar-Curry for several years before finally gaining the votes to be placed on the ballot.

HJTA’s 2023 Legislative Report Card graded lawmakers on their vote on ACA 1. The Report Card can be found at hjta.org/legislation/report-cards.

During an October webinar with supporters, Aguiar-Curry said she intended to come back again with a proposal to cut the vote threshold needed to pass special taxes from two-thirds to 55%,
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WHAT WASN'T ON YOUR BALLOT: THE TAXPAYER PROTECTION ACT

California voters faced a shocking total of 531 local tax increases and bond measures (which raise property taxes) on the November ballot. But one thing they didn't see on their ballot was the Taxpayer Protection and Government Accountability Act (TPA).

TPA was fully qualified for the November ballot thanks to

the signatures of 1.4 million California voters. But then, Gov. Gavin Newsom and legislative leaders decided to file a lawsuit to have it removed from the ballot before Californians could get to the polls and pass it.

The governor's team argued that the Taxpayer Protection Act made it too hard to raise taxes, and therefore it was a “revision”

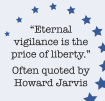
of the state constitution instead of an “amendment” and could not be enacted through the initiative process, but only through a state constitutional convention called by the government itself.

By a unanimous vote of 7-0, the California Supreme Court deferred to the governor and ordered the secretary of state to remove TPA from the ballot.

The state's high court has now given the state government the power to gut the initiative process enshrined in the state constitution in 1911. Yet the whole purpose of the initiative was to check the power of the government.

Sadly, there was no path to appeal the state Supreme Court's decision. HJTA consulted with
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Taxing Times



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Legislative
Report Card**

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**How you can
help HJTA protect
taxpayers**

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**Did Prop. 19
raise \$\$ for
firefighting?**

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PRESIDENT'S MESSAGE

Should California Return to a Part-Time Legislature?

By Jon Coupal

In the waning days of every Legislative session, principles of good governance get tossed aside amid the rush of bills that must be passed by the stroke of midnight on the last day.

Last day chaos is now so commonplace that capitol watchers are typically unfazed by all the hijinks that transpire. Circumventing the process is, unfortunately, just part of the process. But this year set a low water mark for the swamp.

Despite having more than 100 bills to act on before their constitutionally mandated deadline, the Assembly decided to convene at the leisurely hour of 2 p.m. on August 31, a Saturday, the last day of the session. To make matters worse, they didn't even show up on time and when they did, took time out of their busy schedule for group photos.

As the night wore on, it became obvious that legislative leadership would suffer the consequences from their lack of urgency. Rather than look inward, the Democratic supermajority, which controls every step of the process, decided that this was not a result of their own actions but, rather, the need for deliberation and debate. Forgive us, but we were taught that deliberation and debate was an important part of the legislative process.

Assembly leaders moved to limit debate on bills to just 30 seconds per speaker.

When Republican Assemblyman Bill Essayli objected, he was told that he was "using dilatory tactics" and would not be allowed to speak on any bill. When he objected further, arguing that silencing him and the nearly half a million Californians he represents was undemocratic, his microphone was cut.

In the end, several high-profile pieces of legislation were left unaddressed because they ran out of time, which was obviously a self-inflicted problem.

The process is clearly broken and needs reform and, for that reason, we should return California to a part-time legislature. This isn't as crazy as it may sound. Before the passage of Proposition 1A in 1966, California had a part-time legislature. According to the Legislative Analyst's Office, "the Legislature met in general session (at which all subjects could be considered) in odd-numbered years and in budget session (at which only state budget matters were considered) in even-numbered years."

Plus, most states do not have full-time legislatures. In fact, only ten states do: California, Michigan, New York, Pennsylvania, Alaska, Hawaii, Illinois, Massachusetts, Ohio and Wisconsin. The rest of the states meet part-time, and some states (like Montana, Nevada, Texas and North Dakota) only meet in odd-numbered years.

Ironically, the argument for a full-time legislature is that they have more time to deliberate, make better informed decisions, and that their higher compensation allows them to focus solely on the job of governing. But six of those (California, New York, Illinois, Pennsylvania, Ohio and Michigan) are among the seven states that lost congressional seats in the 2020 Census. If those states truly governed more effectively, people would flock to them. Instead, they are fleeing.

California's current full-time legislature has not lived up to the promises that "experts" told us would accompany the change. Because we have one-party supermajority rule, apparently there is no need for deliberation. Whether a bill lives or dies is decided in closed-door caucus meetings, not in legislative hearings.

They do not make informed decisions. In the supermajority, you vote as you are told — or else. They routinely pass bills they have not read with fiscal impacts they do not know.

As for being a full-time legislator, recall the observation of William F. Buckley about preferring to be governed by the first two thousand names in the Boston telephone directory than by the two thousand faculty members of Harvard University.

Continued on page 8

Happy Holidays from your BOARD OF DIRECTORS




GLORIA PHILLIPS
BILL KELSO

CRAIG MORDOH
SEN. JIM NIELSEN
(RET.)

TREVOR GRIMM
IN MEMORIAM – 1938–2019
GARY HOLME
IN MEMORIAM – 1943–2022

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 and click on the MENU, then click on "About," then click on "HJTA Heritage Society"; write to us at 621 S. Westmoreland Ave., Suite 200, Los Angeles, CA 90005; email us at info@hjta.org; or call us at 213-384-9656.

 Howard Jarvis
Taxpayers Association

Heritage Society

We thank and appreciate the following for their generous donations:

The Selck Family,
in the name of Lester John Selck and Jane Selck

The Gardner Grout Foundation

The Benson Foundation

The Allan W. and Elizabeth A. Meredith Trust

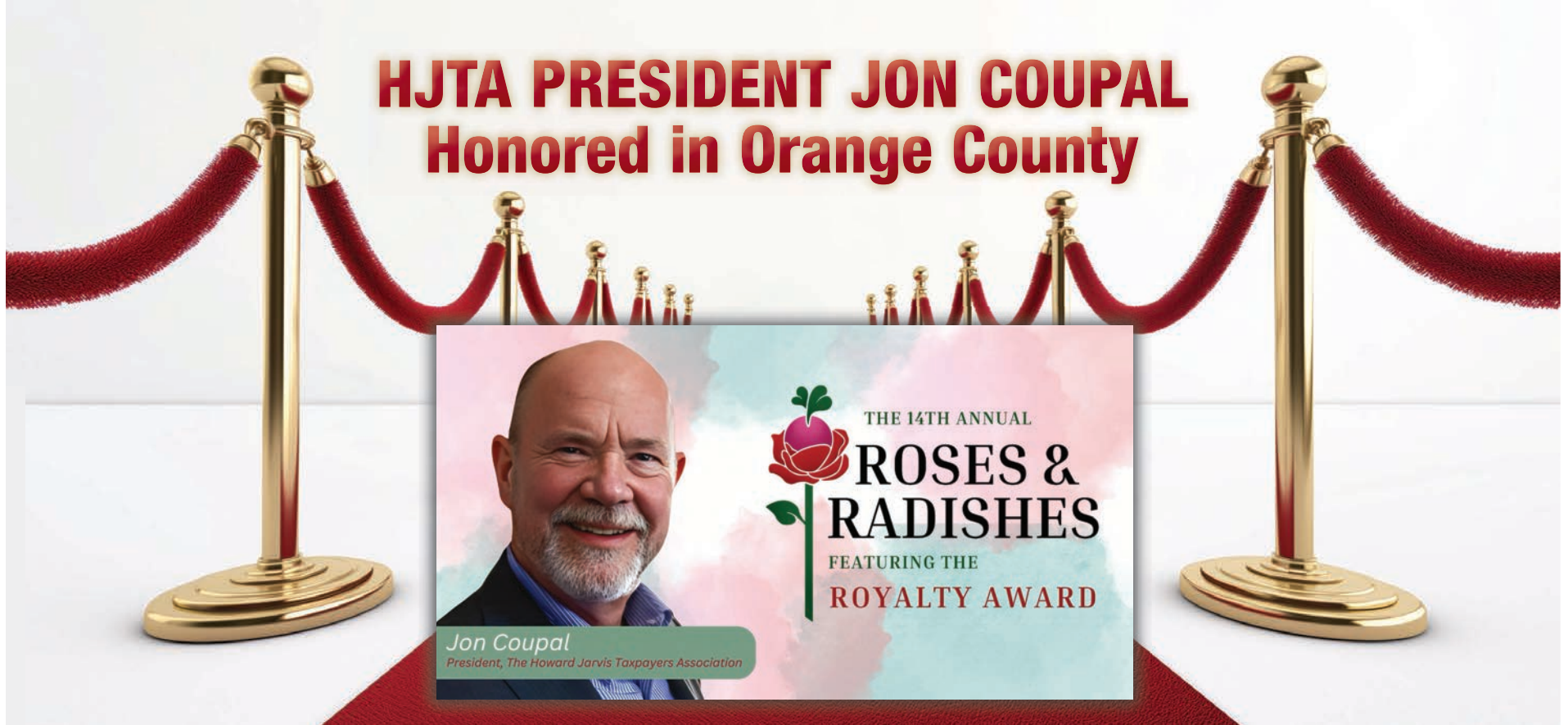
Baker Family Donor Advised Fund
at the Rancho Santa Fe Foundation

The Stanley E. Corbin Trust

The V. Lorel Bergeron Trust

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

HJTA PRESIDENT JON COUPAL Honored in Orange County



The Orange County Taxpayers Association honored HJTA President Jon Coupal with the Royalty Award at its 14th Annual Roses & Radishes Award Dinner. The event celebrates with “roses” the outstanding individuals who have been friends to the taxpayer. “Radishes” are reserved for those who “could have done better.”

The Royalty Award is presented every year to one distinguished honoree in recognition of a lifetime of excellence in fighting for taxpayers.

At this year’s event, held on October 23 at the Hyatt Regency Irvine, OC Tax presented the Royalty Award to Jon Coupal for his leadership of the Howard Jarvis Taxpayers Association and the fight to protect Proposition 13.

Jon first joined HJTA in 1991 to oversee litigation and lobbying efforts, later becoming president of the organization. A recognized expert in California fiscal affairs who has won numerous tax cases before the courts, he was part of the team that triumphed at the U.S. Supreme

Court in a 1992 decision upholding the constitutionality of Proposition 13. He was also instrumental in drafting and passing Proposition 218, the 1996 initiative known as the Right to Vote on Taxes Act.

A video presentation featured tributes to Jon from California Business Roundtable President Rob Lapsley, California Chamber of Commerce Executive Vice President Marty Wilson, Swing Strategies CEO Tom Ross and *Flash Report* Publisher Jon Fleischman.

Jon Coupal “is somebody who is always looking out for the best interests of Californians,” Lapsley said, “and somebody, in doing that and accomplishing that mission, takes it to heart. So he puts Californians ahead of his own self-interest in what he does every day.”

All of us at the Howard Jarvis Taxpayers Association congratulate Jon on this well-deserved honor and are proud to be fighting alongside him to protect Proposition 13 and all California taxpayers. □



Images courtesy of Orange County Taxpayers Association

ALL OF US AT THE HOWARD JARVIS TAXPAYERS ASSOCIATION CONGRATULATE JON ON THIS WELL-DESERVED HONOR AND ARE PROUD TO BE FIGHTING ALONGSIDE HIM TO PROTECT PROPOSITION 13 AND ALL CALIFORNIA TAXPAYERS.

VICTORY FOR PROPOSITION 13 AND TAXPAYERS

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a direct attack on Proposition 13. “This defeat should send a strong message that voters will not tolerate any effort to gut Proposition 13,” Coupal said.

Over 56% of California vot-

ers were saying “no” to Prop. 5, a margin of more than 1 million votes, as *Taxing Times* went to press. For final election results in all races, go to hjta.org/November-2024. □

WHAT WASN'T ON YOUR BALLOT:

Continued from page 1

top constitutional lawyers, but unfortunately, the decision is a state matter without a federal issue that the U.S. Supreme Court would consider.

HJTA will not stand idly by

and watch the people’s constitutional rights be erased. Turn to page 8 to see how you can support our efforts to fight for taxpayers in the legislature, in the courts and on the ballot. □

2024 HJTA LEGISLATIVE REPORT CARD

HJTA’s Legislative Report Card is designed to help Californians gauge how their state representatives are performing on taxpayer-related issues, including, but not limited to, tax increases and direct attacks on Proposition 13.

For a complete explanation of the bills that were scored this year, please turn to page 7 for the “Under the Dome” column by Legislative Director Scott Kaufman.

This year, 10 Assembly Members and 8 Senators received grades of A. Senators **Brian Dahle, Shannon Grove, and Rosilicie Ochoa Bogh** scored A grades, **Roger Niello, Kelly Seyarto, Janet Nguyen and Brian Jones** earned an A+ and **Scott Wilk** earned an A-. In the other house,

Assembly Members **James Gallagher, Joe Patterson, Bill Essayli, Kate Sanchez and Diane Dixon** earned grades of A, with **Josh Hoover, Jim Patterson, Tom Lackey, Tri Ta and Laurie Davies** scoring grades of A-.

Not sure who represents you, or how to contact them? You can look up the names and contact information of your representatives online at findyourrep.legislature.ca.gov and let them know that you saw their voting record for taxpayers in the Howard Jarvis Taxpayers Association’s Legislative Report Card.

If you have questions about the Legislative Report Card, please contact Legislative Director Scott Kaufman at scott@hjta.org.

SENATOR SUMMARY			
SENATOR	PARTY	DISTRICT	GRADE
B. Dahle	R	1	A
McGuire	D	2	D
Dodd	D	3	D
Alvarado-Gil	R	4	B-
Eggman	D	5	D
Niello	R	6	A+
Glazer	D	7	C
Ashby	D	8	D
Skinner	D	9	D
Wahab	D	10	D
Wiener	D	11	D
Grove	R	12	A
Becker	D	13	D
Caballero	D	14	D
Cortese	D	15	D
Hurtado	D	16	C
Laird	D	17	D
Padilla	D	18	D
Limon	D	19	D
Menjivar	D	20	D
Wilk	R	21	A-
Rubio	D	22	D
Ochoa Bogh	R	23	A
Allen	D	24	C
Portantino	D	25	D
Durazo	D	26	D
Stern	D	27	D
Smallwood-Cuevas	D	28	D
Newman	D	29	D
Archuleta	D	30	C
Roth	D	31	D
Seyarto	R	32	A+
Gonzalez	D	33	D
Umberg	D	34	D
Bradford	D	35	D
Nguyen	R	36	A+
Min	D	37	C
Blakespear	D	38	D
Atkins	D	39	D
Jones	R	40	A+

ASSEMBLY MEMBER SUMMARY							
LEGISLATOR	PARTY	DISTRICT	GRADE	LEGISLATOR	PARTY	DISTRICT	GRADE
M. Dahle	R	1	B	Irwin	D	42	D
Wood	D	2	F	Rivas	D	43	D
Gallagher	R	3	A	Friedman	D	44	F
Aguiar-Curry	D	4	F	Ramos	D	45	C
Joe Patterson	R	5	A	Gabriel	D	46	D
McCarty	D	6	F	Wallis	R	47	B
Hoover	R	7	A-	Rubio	D	48	D
Jim Patterson	R	8	A-	Fong	D	49	F
Flora	R	9	B	Reyes	D	50	F
Nguyen	D	10	D	Zbur	D	51	F
Wilson	D	11	F	Carrillo	D	52	D
Connolly	D	12	F	Rodriguez	D	53	F
Villapudua	D	13	D	Santiago	D	54	F
Wicks	D	14	F	Bryan	D	55	F
Grayson	D	15	F	Calderon	D	56	D
Bauer-Kahan	D	16	C	Jones-Sawyer	D	57	C
Haney	D	17	F	Cervantes	D	58	C
Bonta	D	18	F	Chen	R	59	B+
Ting	D	19	F	Jackson	D	60	D
Ortega	D	20	C	McKinnor	D	61	F
Papan	D	21	D	Rendon	D	62	F
Alanis	R	22	B	Essayli	R	63	A
Berman	D	23	F	Pacheco	D	64	F
Lee	D	24	F	Gipson	D	65	C
Kalra	D	25	D	Muratsuchi	D	66	D
Low	D	26	F	Quirk-Silva	D	67	D
Soria	D	27	C	Valencia	D	68	C
Pellerin	D	28	F	Lowenthal	D	69	F
Rivas	D	29	F	Ta	R	70	A-
Addis	D	30	D	Sanchez	R	71	A
Arambula	D	31	D	Dixon	R	72	A
Mathis	R	33	B	Petrie-Norris	D	73	D
Lackey	R	34	A-	Davies	R	74	A-
Bains	D	35	C	Waldron	R	75	B
Garcia	D	36	F	Maienschein	D	76	C
Hart	D	37	F	Boerner	D	77	D
Bennett	D	38	F	Ward	D	78	F
Carrillo	D	39	F	Weber	D	79	D
Schiavo	D	40	C	Alvarez	D	80	D
Holden	D	41	D				

SENATOR SUMMARY:

A=8 B=1 C=5 D=26 F=0

ASSEMBLY MEMBER SUMMARY:

A=10 B=7 C=11 D=20 F=31

To look up the names and contact information of your representatives, go online to findyourrep.legislature.ca.gov.

HJTA IN ACTION

HJTA proudly participated in the Consolidated Board of Realists 2024 H.O.M.E. Fair, "Home Ownership Made Easy."



Realtist Larry Springs with HJTA's Susan Shelley



L.A. County Assessor Jeffrey Prang spoke at the event.



Monique and Sergio Gutierrez handed out HJTA literature to current and future homeowners.

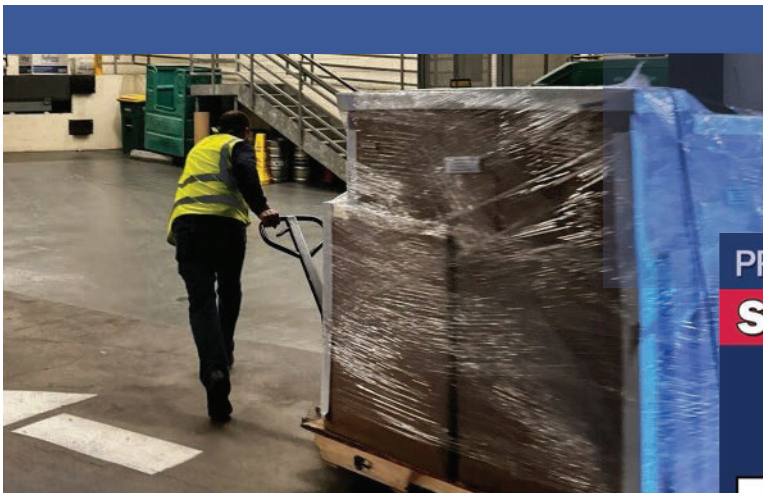


HJTA President Jon Coupal was interviewed by KCRA Capitol Correspondent Ashley Zavala about the need to defeat Proposition 5.



Susan Shelley joined Dr. Rosie Milligan for a discussion of Proposition 19's "death tax" provision and how it is destroying generational wealth in the Black community.

An on-screen look at the HJTA team getting ready to broadcast the Howard Jarvis Radio Show.



Pallets of "No on 5" yard signs were delivered to our Sacramento office and distributed throughout the state.

PROTECT PROPOSITION 13
STOP THE TAX HIKES
NO ON 5

Ad paid for by Protect Prop. 13, a project of the Howard Jarvis Taxpayers Association, No on Prop. 5

THANK YOU, ALLISON DYNDA SAIN!



ERNIE DYNDA

The Howard Jarvis Taxpayers Association would like to thank Allison Dynda Sain for donating a collection of memorabilia from the history of Proposition 13.

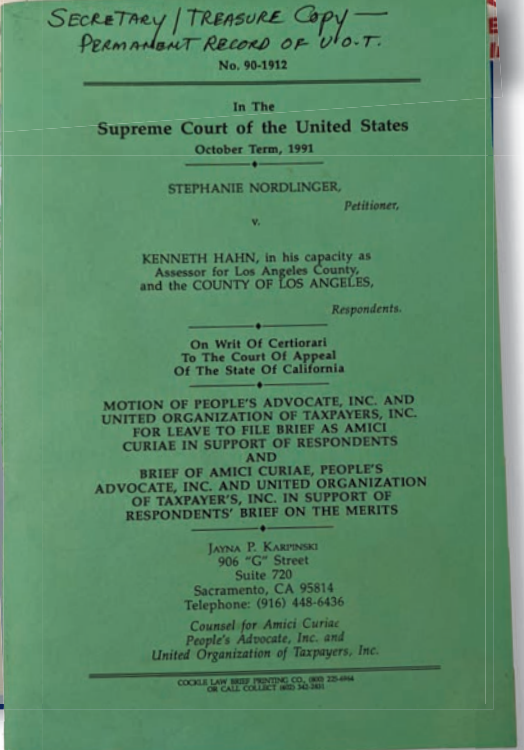
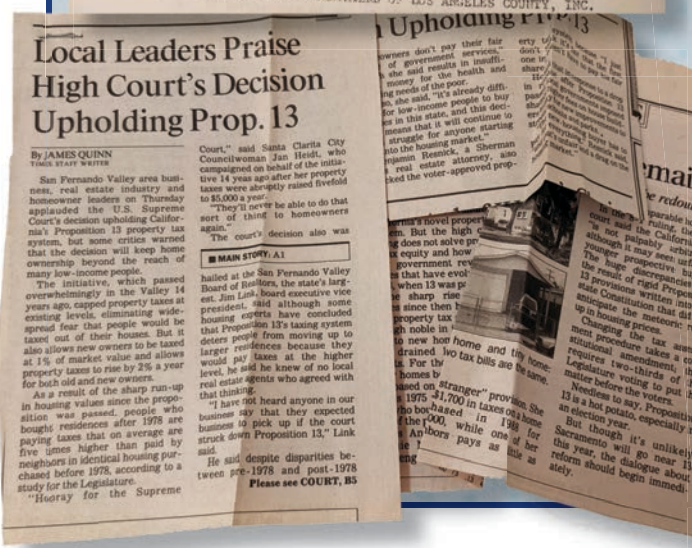
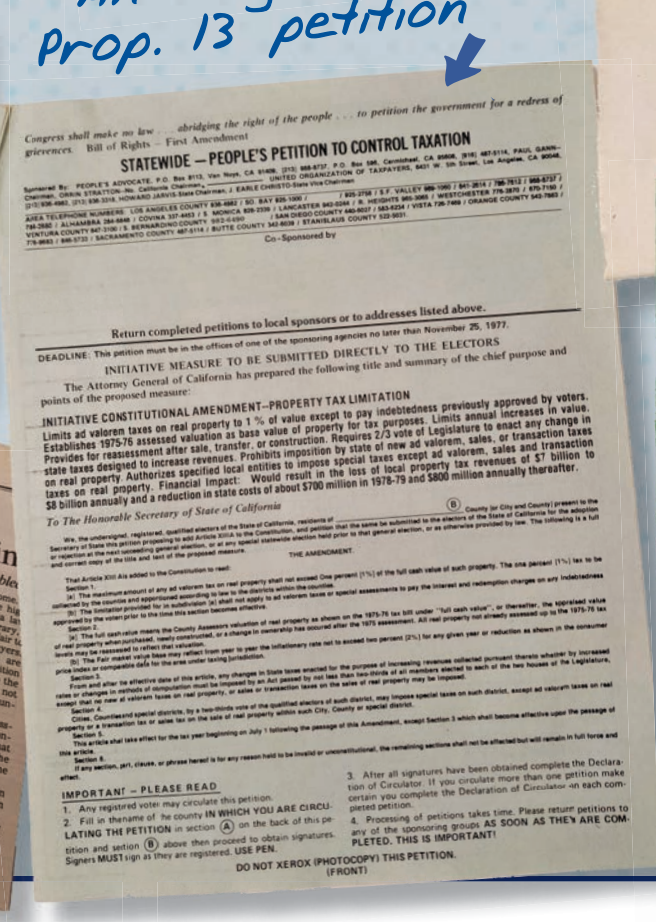
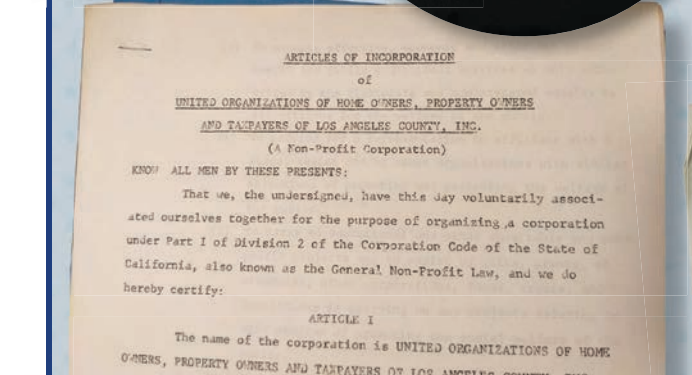
Allison's dad, Ernie Dynda, was one of the founders in 1965 of the United Organization of Taxpayers, and he served as its first president and CEO. Howard Jarvis was elected state chairman of the group. In 1978, with Chuck Betz as president, UOT became a guiding force behind Proposition 13. In 2016, UOT and HJTA merged. Ernie and Chuck were honored with the HJTA Lifetime Achievement Award.

Sadly, Ernie passed away in 2020 and Chuck in 2022. All of us at the Howard Jarvis Taxpayers Association are grateful for their legacy of work on behalf of Californians then, now and for generations to come.

Allison's Mom, Carole



An original Prop. 13 petition





HJTA's Legislative Report Card Shows Who's on Your Side

By Scott Kaufman, Legislative Director

It's the most wonderful time of the year...when the legislature is out of session. They gaveled out on September 1st and the last day for the governor to sign or veto bills was September 30th. Now we have until January to sleep easy. Your pocketbook is (temporarily) safe.

Unfortunately, though, it was a banner year for the legislature. According to Chris Micheli, a lobbyist and adjunct professor at McGeorge School of Law and UC Davis King Hall School of Law, the governor "acted on 1,206 bills, which is the highest number of bills during his six years in office. He had a veto rate of 15.7%. He signed 1,017 bills and vetoed 189 bills."

That's a lot of new laws.

So, how did we do? Well, our Legislative Report Card is designed to help Californians gauge how their state representatives are performing on taxpayer-related issues, including, but not limited to, tax increases, attempts to gut the recall and referendum process that gave us Proposition 13, and direct attacks on Prop. 13.

As with last year, we only considered floor votes. This allows all legislators to vote on a bill at the same time and removes the potential risk of grade inflation. We also gave bills that have made it through both chambers greater consideration in our scoring. It is those bills that were most likely to hurt (or help) taxpayers. Abstention votes on legislation count as half credit.

Here are the bills we scored.

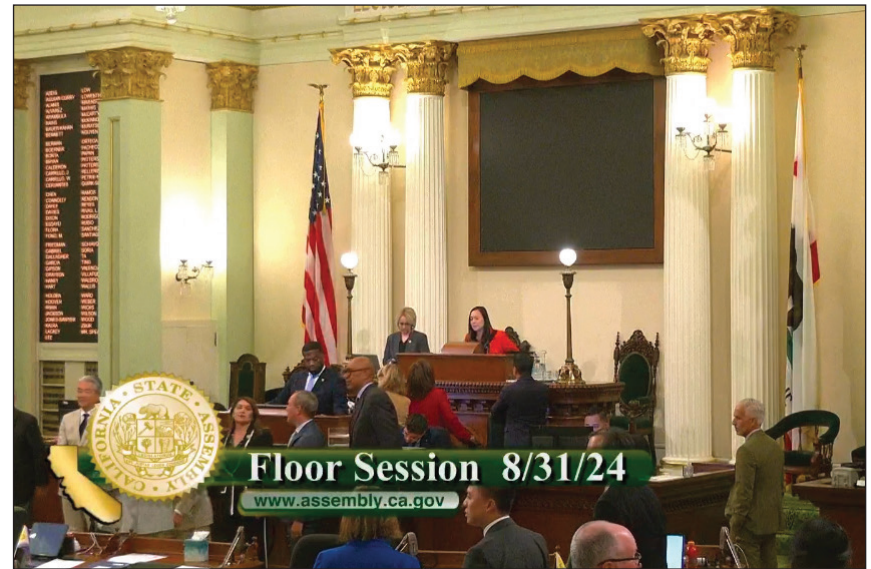
Assembly Bill 1827: HJTA **opposed** AB 1827 because it introduces methods of billing for water based on speculative factors like potential water use and fabricated peaking factors, leading to unfair and possibly unconstitutional water charges for residential users.

Assembly Bill 1973: HJTA **supported** AB 1973 because it would, for taxable years beginning on or after January 1, 2020, and before January 1, 2029, provide an exclusion from gross income for any qualified taxpayer, as defined, for amounts received in settlement for costs and losses associated with the 2020 Bobcat Fire in the County of Los Angeles.

Assembly Bill 2257: HJTA **opposed** AB 2257 because it imposes superfluous requirements for challenging property-related fees, hindering taxpayers' ability to evaluate charges effectively and limiting their legal options to an unreasonable time frame.

Our Legislative Report Card is designed to help Californians gauge how their state representatives are performing on taxpayer-related issues, including threats to Proposition 13.

Assembly Bill 2813: HJTA **opposed** AB 2813 because it furthers the purposes of ACA 1 and 10, which repeal one of the most important protections in Proposition 13 by lowering the existing two-thirds vote threshold for both local bonds and special taxes to 55 percent for a myriad of purposes.



Assembly Bill 3259: HJTA **opposed** AB 3259 because it would authorize Solano County to impose a transaction and use tax that would exceed the state's 2 percent cap on local transactions and use taxes.

Assembly Constitutional Amendment 10: HJTA **opposed** ACA 10 because it would allow local governments to approve general obligation bonds with a 55 percent vote of the electorate – instead of the two-thirds vote currently required under the California Constitution — if the proceeds are earmarked for public infrastructure or affordable housing. That became Proposition 5.

Senate Bill 542: HJTA **supported** SB 542 because it would provide a qualified taxpayer an exclusion from gross income for amounts received from a settlement entity to replace property damaged or destroyed in connection with the 2021 Dixie Fire or the 2022 Mill Fire.

Senate Bill 904: HJTA **opposed** SB 904 because it would authorize special taxes for the Sonoma-Marín Area Rail Transit District to be approved with less than the constitutionally required two-thirds majority vote if the measures were placed on the ballot via the initiative process.

Senate Bill 1072: HJTA **opposed** SB 1072 because it could leave taxpayers without proper compensation for overcharges for property-related services (such as water) by offering only future credits instead of actual refunds, potentially violating constitutional rights and due process.

Senate Bill 1441: HJTA **opposed** SB 1441 because it places a 60-day limit on the review by proponents of election-related petitions of rejected signatures and the reason for that rejection and adds a new requirement for proponents to pay the costs of the review, which could run into the hundreds of thousands of dollars.

To read detailed information about these bills, visit leginfo.legislature.ca.gov and enter the bill number into the search box. The text of the bill will be displayed, but for a detailed explanation in plainer language, click the tab for "Bill Analysis" and read the material that was prepared for lawmakers ahead of their votes.

To look up the names and contact information of your state representatives, go to findyourrep.legislature.ca.gov. If you're happy (or not) with their score on the HJTA Legislative Report Card, let them know.

SUPPORT HJTA AND ALL ITS AFFILIATED ENTITIES TO PROTECT TAXPAYERS

This was a challenging election year for taxpayers, with more than 500 tax increase measures on local ballots, massive new debt on the statewide ballot and Proposition 5's attempt to get around Proposition 13 to raise property taxes.

We also had to battle in the courts for taxpayers' right to vote on taxes and bond debt. And we'll have to fight again for a taxpayer protection initiative after the governor's lawsuit led to the California Supreme Court removing the Taxpayer Protection and Government Accountability Act from the November ballot. It was an outrage, and we will not give up on the fight to reclaim your taxpayer rights.

It's a perfect time to support the **HOWARD JARVIS TAXPAYERS FOUNDATION**. Your donations enable our legal and educational work on behalf of taxpayers. HJTF is a 501(c)(3) organization fully qualifying as a charitable organization under both California and federal law. HJTF's tax I.D. Number is 52-1155794. Donations to the Foundation may be **tax-deductible**; please consult your tax preparer.

You can help to strengthen our efforts by supporting all of HJTA's affiliated entities. They work together to protect Proposition 13 and California taxpayers. In compliance with federal and state law, each entity has a separate purpose and files separate financial reports.

The **HOWARD JARVIS TAXPAYERS ASSOCIATION** is a nonprofit organization, a 501(c)(4). This is the main HJTA entity. Donations to the Howard Jarvis Taxpayers Association support all the operations of the organization, including lobbying, member services, outreach, communications, grassroots operations, and our *Taxing Times* newsletter.

PROTECT PROP. 13, A PROJECT OF THE HOWARD JARVIS TAXPAYERS ASSOCIATION is a campaign committee registered with the California Secretary of State. Donations to the Protect Prop. 13 Committee support campaigns for ballot measures that protect taxpayers, as well as campaigns against ballot measures that threaten Proposition 13. **Only a campaign committee can pay for campaign advertising** and other related expenses; absolutely no funds from the Association or Foundation may be used in campaigns.

NO NEW TAXES, A PROJECT OF THE HOWARD JARVIS TAXPAYERS ASSOCIATION is another campaign committee registered with the California Secretary of State. Donations to the No New Taxes Committee support campaigns against tax increases.

The **HOWARD JARVIS TAXPAYERS ASSOCIATION STATE POLITICAL ACTION COMMITTEE** is also registered with the California Secretary of State. HJTA-PAC supports candidates for office who support Proposition 13 and the right to vote on taxes.

The **HOWARD JARVIS TAXPAYERS ASSOCIATION HERITAGE SOCIETY** welcomes those members interested in planned giving to HJTA or HJTF through wills, trusts or gifts. Your contributions help to build an endowment that protects Proposition 13 and extends your legacy far into the future. For more information and to learn about potential tax benefits, please contact HJTA General Counsel Craig Mordoh. He can be reached at 213-384-9656 or by email at Craig@hjta.org.

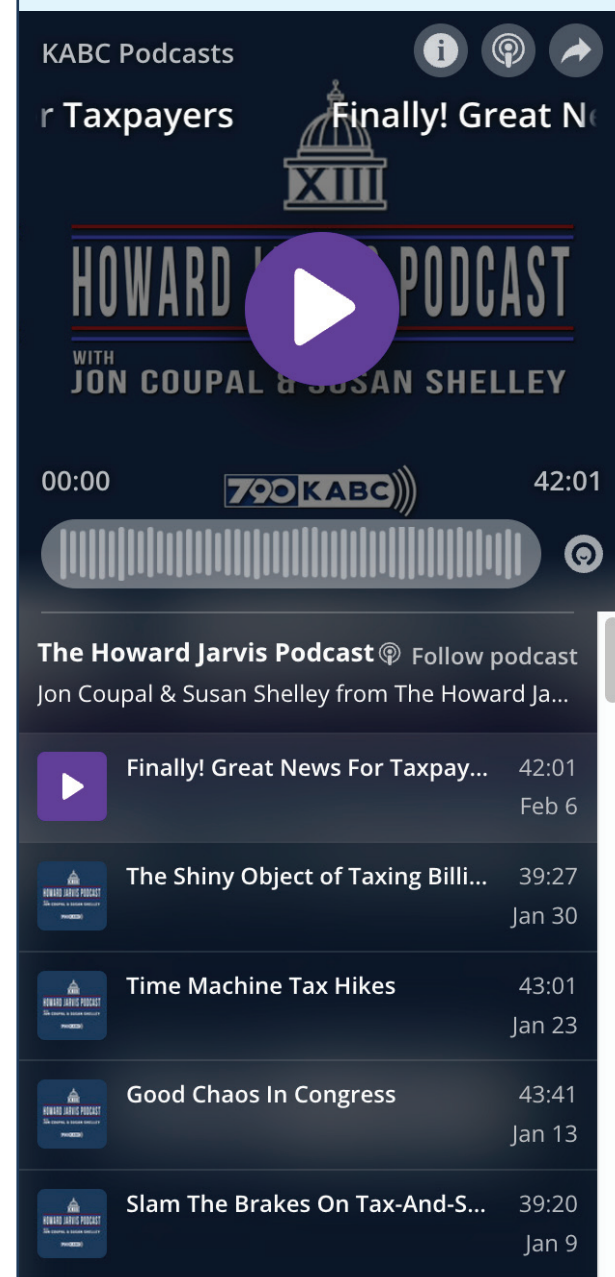
If you would like to make a donation to any HJTA entity, please visit our website at hjta.org/take-action or call our offices to have donation forms mailed to you. (We are required to collect donor information to comply with campaign finance laws.) You can reach the Sacramento office of HJTA at 916-444-9950 and the Los Angeles office at 213-384-9656. You can also email HJTA at info@hjta.org. Thank you for your support!

HERE'S HOW TO LISTEN TO ALL THE HOWARD JARVIS PODCASTS

Did you know you can hear all the Howard Jarvis Show podcasts on our website? It's easy. Go to hjta.org/hjta-podcast and you'll see links to all the shows. Just click and listen!

The Howard Jarvis podcasts feature HJTA President Jon Coupal and VP of Communications Susan Shelley talking taxes, California politics and more.

You can also find the Howard Jarvis Podcast on all your favorite podcast platforms, including Apple Podcasts and Spotify.



PRESIDENT'S MESSAGE

Continued from page 2

Citizens with real jobs, who have skin in the game and will share in the consequences of their actions, are preferable to professional politicians. Or, as the argument against Proposition 1A ends, “[p]rescribing laws which other people are to be forced to obey can never be a primary occupation for any man who loves liberty.” □



THE LEGAL FRONT

CALIFORNIA SUPREME COURT AGREES TO HEAR HJTA'S APPEAL ON PENSION BOND QUESTION

By Laura Dougherty, Director of Legal Affairs

With limited exception, you have a constitutional right to vote if your city council or county board of supervisors wants to create a new debt in any year that can't be repaid within that year. Since 1879, the state constitution has required two-thirds voter approval for local bonds that would do this, with one exception. In 2000, California voters approved Proposition 39, reducing that margin to 55% *for school bonds only*. (Proposition 5 on the November ballot proposed the same 55% margin for practically everything else.)

For several years now, HJTA has been answering city council lawsuits seeking court approval to issue pension obligation bonds (POBs) bypassing the constitutional voter approval requirement. About one dozen city councils rescinded their resolutions in response. The city councils of San Jose, Oxnard, and Escondido did not, so the lawsuits proceeded.

The Court of Appeal decided against voter approval and gave cities the green light to issue bonds without it, but the cities haven't won yet.

The lawsuits in San Jose, Oxnard, and Escondido have recently concluded at the Courts of Appeal. Because San Jose's case was heard first, it took the analytical lead. The decision in that case was published, meaning it can be cited in other cases. The court decided against voter approval and gave cities the green light to issue bonds without it, but the cities haven't won yet.

That's because in August, the

California Supreme Court granted review of the Sixth District Court of Appeal's published decision in *City of San Jose v. HJTA*, denying the constitutional right to vote on a \$3.5 billion POB. Yes, that's a \$3.5 billion bond. Meanwhile, those proposed in other cities tend to be in the hundreds of millions.

These numbers are indeed mindboggling. According to one source, San Jose's unfunded pension liability is now estimated at \$4 billion or \$41,000 per San Jose resident. In Escondido, it has been reported at \$100,000 per resident. But unfunded pension liability projections can fluctuate dramatically, in both directions, based on factors such as labor contracts and investment performance. In one year, Oxnard's liability projection went *down* by \$110 million when it had previously been at \$330 million.

Because unfunded pension liability fluctuates so wildly, previous courts have never considered it "debt" subject to voter approval. In fact, when the County of Orange sought to enforce voter approval on a benefit increase that went into effect in 2001, the Second District Court of Appeal said not to worry about it. Using other case law and Attorney General opinions concerning unfunded pension liability, it likewise concluded that no debt is created until each pension obligation becomes due. Only then can the amount be known and only then can it be an enforceable obligation.

So, in 2011, the Second District Court of Appeal's decision in *County of Orange* essentially told voters to be patient. Pension benefit increases might inflate unfunded pension liability projections, but they were not yet "debt" ready for constitutional voter approval. Then, as interest rates went down, cities became interested in POBs.

As a policy matter, the Government Finance Officers Association has been recommending against

POBs consistently, even when interest rates are very low. As the POB trend grew, HJTA argued, what could more clearly be "new debt" if not these bonds?

If pension benefits and increases themselves don't require voter approval, then, HJTA has argued, the voter approval "can" is being kicked down the road to the POB. But now the Sixth District Court of Appeal has decided voters don't have a right to vote on a POB either.

San Jose's unfunded pension liability is now estimated at \$4 billion or \$41,000 per San Jose resident.

Since voter approval hasn't been enforced at any point on the continuum of pension liability development, it makes sense that the California Supreme Court granted review. The constitutional text liberally guarantees the two-thirds voter approval right as to "any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year."

So, when exactly do the voters have their say?

Using the word "any" four times, the constitution's voter approval requirement is the rule, not the exception. If a city council wants to avoid voter approval, they're supposed to qualify for a judicial exception. A handful of exceptions have developed over the last century and a half. Until now, they were strict.

The exception the city councils of San Jose, Oxnard, and Escondido argued for here is called an "obligation imposed by law." The "obligation imposed by law" exception excuses cities from

voter approval when they have no choice but to pay the debt in the current year. In one famous case, the City of Long Beach found itself subject to a tort judgment because a public auditorium had collapsed, killing and injuring people. There was no choice but to pay the judgment and pay it right away. However, the city didn't have enough money in the general fund. Thus, the court said no voter approval was required for a bond. But pensions and POBs are completely different from this type of judgment. They're voluntary from start to finish. And future liabilities are never due in a current year.

Nevertheless, the trial courts agreed with the cities that the "obligation imposed by law" exception could be extended to them. Using accounting recommendations from a standards board in another state, they said that unfunded pension liability now is an enforceable and present "debt." In fact, it "already" was debt and it already happened in the past. Therefore, a bond to essentially "convert" it is acceptable without voter approval. (Other case law has held that the recommendations of this same accounting board cannot create or direct California law. But never mind that, either.)

The Court of Appeal took another radical step. Instead of agreeing with the cities' theory that future liabilities are now pre-existing debt and therefore applying the "obligation imposed by law" exception, it said that the state constitution never required voter approval in the first place. It found the pension liability "already incurred." So voter approval is becoming the exception. Local governments could incur any contractual obligation and figure out how to pay for it later, without voter consent.

One would next think that if unfunded pension liability is debt, then the Courts of Appeal must

Continued on page 11

YOUR? answered

How Much Money from Proposition 19 Has Gone to the California Fire Response Fund As Promised?

In 2020, voters were told that by passing Proposition 19, they would be ensuring that new revenues to the state would be directed into firefighting efforts. Prop. 19 created a new California Fire Response Fund. The measure said the Department of Finance would calculate, every year by September 1, the amount of money that the Controller would then transfer to the Fire Response Fund.

On August 30, 2024, for the third consecutive year, the amount was zero.

“Finance calculates that there were no additional revenues and no increased savings to the state from the implementation of [Proposition 19] in fiscal year 2023–24. Therefore, the Controller will not transfer any funds to the California Fire Response Fund or the County Revenue Protection Fund, pursuant to Section 2.2(e),” wrote Department of Finance Director Joe Stephenshaw in a letter to the legislature.

Proposition 19 was the biggest property tax increase in state history. Specifically, it raised taxes on properties that were passed between parents and children, requiring that these often long-held properties be reassessed to market value when transferred, with only narrow and limited exceptions.

Proposition 19 has devastated families that had carefully planned for the transfer of properties that would provide a place to live for a family member, or much needed rental income. Small business properties, from duplexes to auto repair shops, have been hit with massive tax increases upon the death of a parent who hoped to pass those businesses to the next generation.

What happened to the money from those tax increases?

While some counties may have seen an increase in revenue, the Department of Finance says the state has seen nothing. One reason cited: Property taxes are deductible on state income tax returns. That means the higher property tax bills result in lower income tax payments.

And that’s how Proposition 19 has utterly failed to do what voters were promised: provide money for state firefighting efforts. The total transferred to the California Fire Response Fund was zero in 2021–22, zero in 2022–23, and zero in 2023–24.

On August 30, 2024, for the third consecutive year, the amount was zero.

For the same reasons, Proposition 19 also failed to generate revenue for the County Revenue Protection Fund, which was supposed to compensate counties that saw a decline in property tax revenue because of the provision in Prop. 19 that allows seniors and other qualified homeowners to transfer

their low base-year value from a home in another county to a new home.



DEPARTMENT OF
FINANCE

Gavin Newsom ■ Governor

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August 30, 2024

Honorable Mike McGuire
President pro Tempore

Honorable Robert Rivas
Speaker of the Assembly

Honorable Brian Jones
Senate Republican Leader

Honorable James Gallagher
Assembly Republican Leader

Honorable Scott Weiner, Chair
Senate Budget and Fiscal Review Committee

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Honorable Anna Caballero, Chair
Senate Appropriations Committee

Honorable Buffy Wicks, Chair
Assembly Appropriations Committee

Honorable Malia Cohen
State Controller

TRANSFER TO THE CALIFORNIA FIRE RESPONSE FUND AND THE COUNTY REVENUE PROTECTION FUND

In November 2020, the voters passed Proposition 19, the Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act. The Act added Sections 2.1, 2.2, and 2.3 to Article XIII A of the California Constitution. Section 2.1 expanded the ability for certain homeowners to transfer the taxable value of their primary residence to a replacement residence and restricted the ability for homeowners to transfer the lower taxable value of inherited properties to their children or grandchildren, which results in a net increase in local property tax revenues. Section 2.2(b) created the California Fire Response Fund and the County Revenue Protection Fund to receive transfers of the additional revenues and savings that accrue to the state, as determined using a calculation prescribed by the measure, due to the additional local property tax revenues resulting from Section 2.1.

Section 2.2(d)(1) of Article XIII A of the California Constitution requires that the Director of Finance, on or before September 1, 2022, and annually thereafter through September 1, 2027, calculate the additional revenues and savings that accrued to the state from the implementation of Section 2.1, including, but not limited to, any increase in state income tax revenues and net savings to the state arising from any reduction in the state’s funding obligation under Section 8 of Article XVI, during the immediately preceding fiscal year ending on June 30. The measure specifies that in making the calculation, Finance shall use actual data or best available estimates where actual data is not available. The calculation shall be final and shall not be adjusted for any subsequent changes in the underlying data. Finance shall certify the results of the calculation to the Legislature and the Controller no later than September 1 of each year.

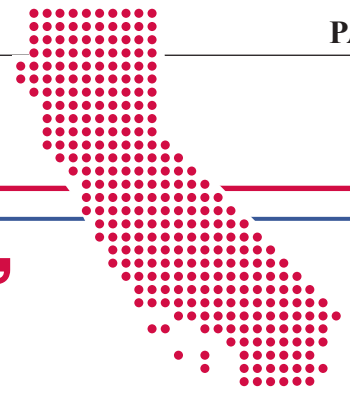
Although the base-year transfer provision in Proposition 19 was beneficial to California homeowners and HJTA supported it, the loss of the parent-child transfer exemption has been viciously destructive for the hard-working families that painstakingly put their savings into real estate and began to build generational wealth for the first time.

Because of the sky-high property tax increases on long-held family property when it is reassessed to current market value, children who inherit property often are unable to pay the taxes required by Prop. 19 in order to keep it. They are taxed out of their property, forced to sell.

Sadly, the cash from the sale quickly loses value to inflation. The property appreciates, but somebody else owns it.

To fix this horrendous situation for California families, a state constitutional amendment is required. There are two ways to put

FOUNDATION REPORT



FIGHTING AN INVALID “MANSION TAX”

The Howard Jarvis Taxpayers Foundation continues to battle in the courts to have Measure ULA, the Los Angeles “mansion tax,” declared invalid for plainly violating the state constitution’s prohibition on real estate transfer taxes for a special purpose. After a Los Angeles Superior Court judge let the law stand based on the questionable theory that the constitution doesn’t apply to “citizens’ initiative tax increases,” HJTF attorneys filed a notice of appeal, which is proceeding.

Measure ULA, approved by 57.77% of voters in the city of Los Angeles in 2022, imposed a 4% tax on the sale or transfer of property with a value of between \$5 million and \$10 million. Above that, the tax jumps to 5.5%. To be clear, it is not a tax on profits, but on

market value. Even if the property is in foreclosure, the tax is still owed.

Voters were told the “mansion tax” could raise between \$600 million and \$1 billion every year for housing and homelessness programs, but a report in *Westside Current* by Angela McGregor notes that the actual revenue from Measure ULA is nowhere near those projections. “As of April, 2024, the tax has brought in just \$215 million over 16 months,” McGregor wrote. Instead of solving the housing and homelessness problems in Los Angeles, Measure ULA has “put a damper on all real estate development, resulting in less development of both market-rate and affordable projects.”

Many properties and development projects in Los Angeles that are worth

more than \$5 million are not mansions. Some are multi-family housing, also known as apartments. Some are office, industrial or commercial buildings. Some are affordable housing projects.

An August 8 report from the Los Angeles Office of Finance said that since the tax took effect in April 2023, only about 46% of the revenue collected came from the sale or transfer of expensive single-family homes. Most of the revenue, about 54%, was skimmed from the sale of apartment buildings, retail stores, offices and other non-mansion real estate.

If our appeal is successful, we believe those who paid this invalid tax will be entitled to refunds.

THE LEGAL FRONT *Continued from page 9*

have overruled that 2011 decision in *County of Orange*. They did not. Unless the California Supreme Court makes a change, voters are now stuck with no rights to approve or disapprove when benefits are created, increased, or reduced to a POB.

If that wasn’t enough, there’s

yet more inconsistency for the Supreme Court to chew on. In 2007, the Third District Court of Appeal decided that when the State Legislature wanted to issue a \$960 million POB to infuse cash into the state pension system, it needed voter approval. It needed voter approval because the same consti-

tutional requirement applied, and the pension liability was not an “obligation imposed by law.” The State imposed it upon itself. It was “voluntarily undertaken.”

No state law has ever required cities to have pensions or to pre-fund them in amounts matching each year’s unfunded liability esti-

mate. Having a pension system or issuing a POB is voluntary and discretionary action, exactly what our state constitution contemplated to require voter approval if going over budget.

Briefing on the merits is ongoing and we hope to have the Supreme Court’s analysis in 2025. □

YOUR QUESTIONS ANSWERED *Continued from page 10*

a constitutional amendment on the ballot: The legislature can pass it with a two-thirds vote, or citizens can collect about a million signatures on an initiative petition. Once on the ballot, a constitutional amendment needs a simple majority, 50%-plus-one-vote, to pass.

HJTA has tried twice to collect enough signatures to put the Repeal the Death Tax amendment on the ballot. The law allows only a very limited amount of time to collect signatures once an initiative is filed. Paid signature-gathering is possible, but prohibitively expensive.

HJTA is asking supporters of the Repeal the Death Tax effort to go online to RepealtheDeathTax.com and sign up for updates. That’s how we’ll know how many people would like to receive a petition to sign. When we reach a number that makes it clear we can succeed, we can try again.

In the meantime, supporters can contact their elected representatives and urge them to reverse the “death tax” provisions in Prop. 19 that require reassessment of inherited homes, rental units and small business properties. Tell them why it matters to your family. Remind them that it was the legislature that created the parent-child transfer exclusion in 1986 and put it on the ballot by a unanimous vote, where it went on to

pass with 75% voter approval. This is an issue that matters to tens of millions of Californians.

If you write a letter, consider sending a copy to the “Letters to the Editor” section of your local newspaper.

You can look up the names and contact information of your state representatives at findyourrep.legislature.ca.gov. □

Certified Calculation by the Department of Finance

Pursuant to Section 2.2(d), Finance calculates that there were **no additional revenues and no increased savings to the state** from the implementation of Article XIII A, Section 2.1 in fiscal year 2023-24. Therefore, the Controller will not transfer any funds to the California Fire Response Fund or the County Revenue Protection Fund pursuant to Section 2.2(e).

If you have any questions or need additional information regarding this matter, please contact Jacob Kirn, Principal Program Budget Analyst, at Jacob.Kirn@dof.ca.gov.

JOE STEPHENSHAW
Director
By:

ERIKA LI
Chief Deputy Director

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 tax-

payer 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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