

## Talking Taxes 2.0 case study

# HOW WE WON

## A Short History of Proposition 30, and its lessons

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While Proposition 30, “The Schools and Local Public Safety Protection Act of 2012,” was popularly known as “Governor Brown’s Tax Initiative,” it is fair and accurate to say that it would not have existed in its final form without the California Federation of Teachers. It is equally accurate to say that it most likely would have lost.

### **History’s warning**

Shortly after Jerry Brown was elected governor of California in November 2010 he embarked on what history and CFT leadership predicted would be a fruitless quest: find two Republican legislators in each house to vote with Democrats in order to achieve the required two thirds vote to extend billions of dollars in temporary taxes scheduled to expire. Without that tax extension, California’s recession-fueled state budget deficit would balloon, forcing further cuts to schools and services.

This prediction was based on the fact that nearly every Republican legislator had taken a “no new taxes” pledge, circulated by anti-government zealot Grover Norquist. The state Republican legislative leadership had let it be known that they considered tax extensions to be the same as “new” taxes.

Anticipating the result of Brown’s conversations, CFT pulled together a group of labor and community groups to fund and craft opinion research about the best way to draft a state ballot measure that could raise the revenues necessary to keep schools and services on life support. We tested, through polling and focus groups, the likelihood of various types of taxes, progressive and regressive, to gain a majority of the electorate.

We found that regressive taxes like sales taxes and across the board income taxes were not viewed favorably, with most people feeling that in the worst recession since the Great Depression working people and the middle class had already sacrificed enough. At the same time, the respondents to the research showed a great willingness to tax the rich and large corporations to support education. The research found the public believed the rich needed to pay their fair share for the common good.

Although most people didn’t know the precise numbers—that the top one percent of income earners had doubled their share of the state’s total income over the past twenty years, from 12% to 23%, while paying lower tax rates—they had a clear sense that the economy had skewed toward the wealthy.

### **Dueling ballot measures**

When Governor Brown’s negotiations with the Republican legislators ended in failure, he began to talk about a ballot measure. His initial idea was a sales tax and an across the board income tax. CFT and its coalition partners shared our research with the Governor, and asked if he would like to cosponsor a measure with us. He declined.

We continued to refine our research. We decided the three principles for our tax measure would be: 1) bring in the largest amount of revenue possible for schools and services; 2) draw the revenue from the most progressive source; and 3) it should be a tax that polling shows to have the greatest likelihood of winning. Following extensive research, we

arrived at a Millionaires Tax, asking people who made a million dollars a year to pay an extra 3%, and people making two million dollars a year to pay an extra 5%. This would raise approximately \$5 billion a year.

The governor, taking our research into account, reduced his proposed sales tax from a penny to a half cent, and changed his income tax from an across the board increase to a tax on people making \$250,000 and above. This also would have raised around \$5 billion. We had tested the idea of starting the income tax at \$250,000, and knew that while it could win, it polled less favorably compared to the Millionaires Tax. We continued to stay in touch with the governor, but failed to agree on common ground. The governor, the Millionaires Tax coalition, and a third measure backed by wealthy civil rights attorney Molly Munger and the PTA filed separate initiatives and began collecting signatures to place them on the ballot.

### **Five straight polls and a march lead to merger**

The Millionaires Tax came out ahead of the governor's and Munger's measures in five straight opinion polls. (Yet another proposal, a regressive set of tax reforms put forward by a group of Silicon Valley entrepreneurs, Think Long, polled the worst, validating our research again, and they dropped out of the running in January.) In early March, 2012, the CFT helped organize a march of higher education students against state budget cuts and tuition increases in Sacramento. Thousands of students, faculty, and other supporters carried Millionaires Tax signs and banners outside the governor's windows. Two days later, responding to the governor's charge that if three tax ballot measures competed in November they would all lose, the CFT and its partners released the results of a poll testing that idea. It found that Brown's and Munger's would go below 50%, and the Millionaires Tax would win handily.

At that point the governor called in CFT president Joshua Pechthalt to talk. As a result, CFT and the governor pulled their separate signature gathering efforts from the street, and merged their initiatives, creating what became Prop 30. CFT didn't get everything it wanted in this compromise. The Millionaires Tax would have been permanent, and the governor's was to run five years and sunset. We got him to extend the high end income tax to seven years, increase the percentage of the tax on earners over \$300,000 and \$500,000, and reduce the sales tax to four years.

We had requested he drop the sales tax entirely, but he explained that in order to keep the Chamber of Commerce from opposing the measure, he had promised them not to "demonize the rich," meaning that there had to be a "shared sacrifice" component. He did agree, however, to reduce the sales tax to a quarter cent.

Due to the agreement to increase the rate on people making \$500,000 and above by 3%, the new top rate in Prop 30 was actually higher on more high income earners than it would have been under the Millionaires Tax. The measure also would raise more money—approximately \$9 billion in the first year, and six billion dollars a year after that.

### **Sinking polls, sinking hearts**

Prop 30 never polled as high as the Millionaires Tax. Our worry about including the sales tax was reinforced in the last two months of the campaign, as millions of dollars in opposition ads did their best to confuse the voters about the composition of the tax, calling it “a massive tax increase on everyone.” CFT’s coalition, Reclaiming California’s Future, emphasized the “tax the rich” message, but we were only part of the broader Prop 30 coalition. Asking the wealthy to pay their fair share was included in the campaign’s TV ads, but only as one message buried among several others.

The positive polling numbers gradually sank from the high 50s to just about 50%. One poll, three weeks before the election, had Yes on Prop 30 at 48%, and the “Nos” had crept up to 44%.

### **Reinvigorating the campaign with a winning message**

The governor had been campaigning mostly on the idea that Prop 30 would save education from further cuts. We agreed with that message, but based on our research we knew that there also had to be a strong emphasis on taxing the rich. We stressed to the Governor that the public had to know what the tax was for (education), who it taxed (mostly the wealthy, with a tiny sales tax increase on everyone), and by how much (a few percent on the rich: they could afford it), so that the opposition ads would be neutralized by the truth and the best arguments, supported by research, would prevail.

In the last weeks of the campaign, as the governor worked with CFT and other allies to communicate this key information to the electorate, the campaign was able to make clear to the public that the overwhelming majority of the revenues in Prop 30 came from taxing the wealthy (85%), and that the 15% of projected revenues from the sales tax amounted to, as we all put it, a mere penny on a four dollar sandwich.

CFT organized rallies with the governor at UC and community college campuses. The governor also attended rallies with our coalition partners from Reclaiming California’s Future. Every day for the last three weeks the message was consistent. The governor told everyone who would listen that Prop 30 was for stopping cuts to schools, for the kids, for California’s future, and that it was fair, because it asked “those who are blessed with the most wealth to give back a little bit so everyone could benefit.” He constantly invoked St. Luke as his source for this notion, softening the edge of the “tax the rich” message. He also addressed the sales tax issue directly, utilizing the “one penny on a four dollar sandwich” illustration.

### **Lessons: reshaping the tax debate**

On election day Prop 30 won handily, 55% to 45%, reshaping the decades-old understanding of California as an “anti-tax” state. Prop 30 is the single largest progressive tax passed in the state’s history, both in terms of the amount of revenue it raises and as a percent bump on the income taxes of the wealthy. What are some lessons from this tremendous victory?

We can’t fund schools and services by defeating ourselves before we begin and saying it can’t be done. Given the proper resources and messaging, the electorate is ready to pass

taxes to pay for meeting common needs. There's a reason why Obama won, why the Democrats enlarged their Senate majority and cut into the Republicans' lead in the House. In California, in addition to Prop 30, we defeated the anti-union Prop 32, passed a separate measure that closed a corporate tax loophole, and for the first time since the 19<sup>th</sup> century, now have a two-thirds Democratic supermajority in the Legislature.

The anti-tax, anti-government tide has, at least for the moment, run its course. Demographic changes in the electorate coupled with the lasting insight contributed by the Occupy movement that the 1% has taken far too much from the rest of us provides the opening to reverse a core political paradigm of the last thirty years: that the problem is government and we should seek help for our society from the wisdom of the rich.

Elections are won with the proper combination of messages that reach different sectors of the electorate. The positive message of Prop 30 was that public education is the foundation of everything good and we can restore that goodness for all. We warned that schools were being destroyed by cuts, and that the rich could help solve this problem by paying their fair share of taxes. The negative anti-Prop 30 messages were the same that they have been for thirty years—government is too big and can't do anything right, the rich will leave California if we tax them, taxes are too high, and if we remove the waste, fraud and abuse in government spending there will be plenty of money for the kids.

These ideas, so effective so many times in the past, had lost their potency in the face of a post-Occupy Wall Street public understanding of growing economic inequality. The other side was intellectually bankrupt, and spending tens of millions of dollars to say these things didn't work this time. In fact, it backfired, creating a target—wealthy reactionary political spending—that validated the message that the rich needed to pay their fair share for something positive. We didn't need to “demonize” the rich; they were doing a fine job of that themselves.

You also win elections by doing the old fashioned work of reaching out to union members, community organizations, the religious community, and voters who would vote the right way if you can get them to the polling place. In this regard the work of the Reclaiming California's Future coalition, which emerged from the Millionaires Tax battle, was crucial, along with the ground campaign of the labor movement, heavily mobilized by the fight against the anti-union Prop 32. Reclaiming California's Future's volunteers and staff spent countless hours knocking on doors, phone banking, rallying, educating family, friends, neighbors and strangers. They reached out especially to less likely voters—young people, immigrants, lower income communities of color—and steered them into the electorate to vote on behalf of their own future.

Finally, the role of Governor Brown was likewise enormously important. Although it took a while for him to get there, his support for Prop 30 with the right combination of progressive messages, as mentioned above, turned the tide around in the right direction. But at another level, one cannot overestimate the importance of the chief executive officer of the state advocating for a statewide tax measure, and not just advocating but doing the backroom work to bring both labor and business on board, bringing the

Democratic Party into line, and keeping some particularly nasty players out of the equation.

### **A new day**

Throughout the campaign, Proposition 30 advocates—from the governor on down—took pains to note that the measure would not solve all of California’s budget problems. Having worked up a structural yearly budget deficit through tax cuts and impact of the recession totaling around 12 billion dollars per year, the state would only cut that in half with Prop 30. CFT regards Prop 30 as a step on the path to progressive tax reform, which will include closing corporate tax loopholes and reining in some of the more egregious provisions of Proposition 13. This is one reason why we insisted that a clear picture of economic inequality be placed by the campaign in front of the public, not simply because the opinion research showed that this was important, but because Prop 30 provided an opportunity to do something progressives often call for only as a consolation for a losing campaign: education of the electorate.

The results bear out our perspective that Prop 30 could be a stepping stone on the path to further progressive tax policy reform. A 55% margin in the showcase anti-tax state—long held hostage to the 2/3 legislative provision to pass taxes coupled with a hard caucus of Republican anti-taxers in the legislature—says that a new day is not only possible, but a-dawning now. As they did the wrong way in 1978 with Prop 13, ripple effects of our victory can roll across the country—provided that the right lessons are drawn.