

← Back to Original Article

Democrats out to defeat rival tax initiative Prop. 38

Prop. 38, which would boost education spending by raising California income taxes, conflicts with Gov. Jerry Brown's proposal to increase sales and income taxes, Prop. 30. If voters approve both, the one with the most 'yes' votes wins.

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SACRAMENTO — California Democrats would normally be thrilled by any bid to raise billions of dollars for schools. But not this year.

The party establishment is lined up against Proposition 38, a plan bankrolled by millionaire lawyer Molly Munger that would increase education spending by hiking Californians' income taxes.

The Democrats and their labor allies, who have formed a campaign committee dedicated to defeating Munger's measure, say the initiative could damage the same schools she wants to rescue. It has little chance of passing, they say, but a good chance of drawing much-needed votes away from Gov. Jerry Brown's tax increase, Proposition 30.

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The governor says that if his proposal fails, it will trigger almost \$5.5 billion in cuts to public schools. He tried to get Munger to drop her initiative, but she refused, saying Brown's proposal was not a credible alternative.

Now both campaigns "look like they're hiding a gun behind their back," said Dan Schnur, director of USC's Jesse M. Unruh Institute of Politics. "The question is whether you hold your fire, or you give into temptation and do something to undercut the other one."

The state's largest teachers unions have backed Brown. A parents association is headlining Munger's campaign. Some of California's biggest school districts, including Los Angeles Unified, have endorsed both measures in hopes that at least one will pass. If voters say yes to both tax plans, the one with the most "yes" votes wins. Analysts predict court fights if that happens.

A recent USC Dornsife/Los Angeles Times poll showed Brown's plan passing but support for it slipping. Munger's measure had only 34% support.

Proposition 30 would raise the sales tax by a quarter-cent for four years. It would hike income taxes for seven years on earnings in excess of \$250,000 for individuals or \$500,000 for couples. It also would shift some money to local governments to help pay for Brown's sweeping effort to reduce prison overcrowding.

The current state budget assumes \$8.5 billion in revenue from Proposition 30 and about \$6 billion annually in coming years.

Proposition 38 takes a different approach. It would increase income taxes on an ascending scale starting next year to raise \$10 billion annually for the next 12 years. All earnings above \$7,316 would be taxed at higher rates, starting with a 0.4 percentage point increase and ending with a 2.2-point hike for earnings over \$2.5 million.

The money would mostly go to schools and early childhood education. Some would be used to pay down state debt.

Unlike the governor's measure, Proposition 38 would not support the state's general budget. Instead, the new revenue would be distributed as school grants and debt payments; it would not go through the Legislature.

Munger, a longtime education activist who was formerly a Democrat but is no longer registered with a political party, has pumped nearly \$31 million of her own money into Proposition 38. Some political types have nicknamed her "Molly of Arc," after the warrior-turned-martyr.

In an interview, she said Proposition 38 would have more support if the state's political establishment hadn't circled its wagons.

"A lot of people know we're right," she said. "And a lot of people aren't free to say so."

Munger sued the secretary of state in June, saying Brown's initiative was being wrongly placed ahead of hers on the ballot. She lost, and Proposition 30 got top billing; her initiative is listed ninth among 11 measures.

Jason Kinney, a consultant working with the committee of Democrats against Proposition 38, said they're ready in case Munger tries to gain ground with a negative message about Brown's initiative.

"We want to spend just enough to beat 38, not a penny more," he said. The opposition has raised just a few thousand dollars so far, according to campaign filings with the state.

The first statewide television advertisement from Munger's campaign, released last week, did not refer directly to Brown's tax measure but criticized politicians who say that "unless we send more tax dollars to Sacramento, they'll cut education again."

The Democrats' opposition forces responded with an email blast. "What the ad for Proposition 38 doesn't say is that it makes California's education funding problem much worse before it gets better," said a statement from Lillian Taiz, president of the California Faculty Assn., which represents Cal State educators.

Munger says Brown is bluffing about trigger cuts and won't slash school spending if he can count on new revenue from Proposition 38. Brown insists he'll cut schools if Proposition 30 fails because only his tax initiative would add enough revenue in the current fiscal year to prevent such a move.

"The effect of his initiative is to keep school funding at today's threadbare level for seven years," Munger said. "And we're supposed to be happy because he didn't cut it further."

John Mockler, the architect of California's school funding law, worked with Munger to develop her initiative but has since sided with Brown. Proposition 38 would create too many restrictions on how schools could spend the new revenue, and schools would receive less money from the general fund, Mockler said.

In the end, the rivalry between the two campaigns could lead to confusion among voters and sink both initiatives, political observers said.

"I'm worried the yes vote could get split between the two worthy measures," said Tom Torlakson, the state superintendent of public instruction. "We could have two measures that end up with 48% of the vote."

He has endorsed both.

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