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2012 Election

A California Tax Plan Meets the Mungers

By [Karen Weise](#) October 25, 2012

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Photograph by Rich Pedroncelli/AP Photo

Molly Munger listens to a reporter's question regarding her proposed ballot initiative to raise income taxes for school funding in Sacramento, Calif.

Democratic Governor Jerry Brown was on the verge of persuading California voters to approve a tax hike to fund schools when he faced an onslaught from multimillionaire siblings—one of them a member of his own party. Brown inherited a budget mess in 2011, with 15 percent less in the state's general fund than in 2008. To replenish the money, he came up with Proposition 30. The measure, on this year's ballot, would raise \$6 billion through a four-year, 0.25 percentage-point increase in the sales tax and a seven-year income tax hike of up to three percentage points on the wealthy. If the measure fails, schools and community colleges will lose \$5.3 billion and state universities \$500 million—automatic cuts that Brown baked into his 2013 budget as a warning that failing to pass Prop 30 would have dire consequences.

Until recently, Brown's effort was on track. He got one of the state's largest teachers' unions to drop a competing proposal that only would have increased taxes on income over \$1 million. He also persuaded much of the business community not to oppose Prop 30, even scoring contributions from companies including Warner Bros. ([TWX](#)), Amgen ([AMGN](#)), and Coca-Cola ([KO](#)) to promote the initiative.

Enter the Munger siblings, whose 88-year-old father, Charlie, has been vice chairman of Warren Buffett's Berkshire Hathaway ([BRK/A](#)) for 30-plus years. In the past month, Charles Munger Jr., a bowtie-wearing Stanford University physicist who donates to Republican causes, has given \$22 million to a political action committee that's fighting Brown's proposal.

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The bigger threat to Brown may be a fellow Democrat: Munger's half-sister, a civil rights attorney in Los Angeles. Molly Munger wrote Prop 38, a tax proposal that directly competes with Brown's. She and the governor want to do the same thing—bolster school funding by raising taxes. Munger wants to collect more money over a longer period. Prop 38 would raise at least \$10 billion annually with a 12-year income tax hike on all but those making less than \$7,316 a year. Under California's unusual referendum process, two competing propositions can exist on the same ballot. Citizens can vote for both; if each gets more than 50 percent of the vote, the one with more support prevails.

Molly Munger has poured \$33 million into the campaign for Prop 38. She's argued that Brown's plan is only a quick fix and called Prop 30 an accounting "sleight of hand." A \$3 million TV ad campaign drove home that point this month. "Prop 30 sends money in here," the spot says as cartoon cash floats into a schoolhouse, "but lets politicians take it out here," the ad goes on, as money flies out the back door.



(Munger); Ted Soqui/Corbis (Brown) Amount Moll Munger has spent on a referendum rivaling Brown's: \$33 million

The ad blitz "is so profoundly irrational," Brown told the *Sacramento Bee*. "You have this woman throwing this money against everything she stands for." (Both Mungers declined to comment.) "We are not the anti-30 campaign," says Prop 38's spokesman, Nathan Ballard. The spots also drew criticism from some of Munger's supporters. Tom Torlakson, California's schools superintendent who is in favor of both propositions, issued a statement urging Munger "in the strongest possible way" to drop her ads for fear of confusing or turning off voters. After a week airing the spots, Munger capitulated.

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"If it wasn't for the Mungers, there really wouldn't be any big opposition" to Brown's measure, says Thad Kousser, an associate professor of political science at the University of California at San Diego. He briefly consulted for Munger but now wishes she'd drop Prop 38 because, he says, the attack ads may have delivered the "fatal blow" to schools. The California State University system has alerted hundreds of thousands of applicants it will admit fewer students than planned if the automatic cuts are triggered.

New polling suggests that neither Prop 30 nor Prop 38 may get the simple majority they need to pass. Munger's measure has never had more than 46 percent support in public polls, and on Oct. 11, Brown's dipped below 50 percent for the first time. Confusion over the competing proposals may indeed be diminishing support for both. Mark DiCamillo, a nonpartisan California pollster, points out that about 60 percent of voters favor one if not both proposals. Californians, in other words, are willing to open their wallets to stave off steep cuts. "You would think," says DiCamillo, "there's some way to cobble together a victory."

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The bottom line: Siblings Molly and Charles Munger have spent \$55 million on separate challenges to Jerry Brown's bid to raise California's taxes.



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