

California State Archives  
State Government Oral History Program

Oral History Interview

with

**HON. RICHARD NEVINS**

Member, California State Board of Equalization, 1959-1987

January 12, 1987, February 7 and March 9, 1989  
Pasadena, California

By Jackson K. Putnam and Lawrence B. de Graaf  
California State University, Fullerton

**TAX REFORM AND FISCAL POLICIES**

Volume I

## RESTRICTIONS ON THIS INTERVIEW

None

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### PREFACE

On September 25, 1985, Governor George Deukmejian signed into law A.B. 2104 (Chapter 965 of the Statutes of 1985). This legislation established, under the administration of the California State Archives, a State Government Oral History Program "to provide through the use of oral history a continuing documentation of state policy development as reflected in California's legislative and executive history."

Oral histories undertaken for the state program offer insights into the actual workings of both the legislative and executive processes and policy mechanisms. They also offer an increased understanding of the men and women who create legislation and implement state policy. Further, they provide an overview of issue development in California state government and of how both the legislative and executive branches of government deal with issues and problems facing the state.

Interviewees are chosen primarily on the basis of their contributions to and influence on the policy process of the state of California. They include members of the legislative and executive branches of the state government as well as legislative staff, advocates, members of the media, and other people who played significant roles in specific issue areas of major and continuing importance to California.

By authorizing the California State Archives to work cooperatively with oral history units at California colleges and universities to conduct interviews, this program is structured to take advantage of the resources and expertise in oral history available through California's several institutionally based programs.

Participating as cooperating institutions in the State Government  
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University of California, Berkeley

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University of California, Los Angeles

The establishment of the California State Archives State Government Oral History Project marks one of the most significant commitments made by any state toward the preservation and documentation of its governmental history. It supplements the often fragmentary historical written record by adding in an organized primary source, enriching the historical information available on given topics and allowing for more thorough historical analysis. As such, the program, through the preservation and publication of interviews such as the one which follows, will be of lasting value to current and future generations of scholars, citizens, and leaders.

John F. Burns  
State Archivist

July 27, 1988

This interview is printed on acid-free paper.

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## INTERVIEW HISTORY

Taxes have long been one of the most familiar as well as certain functions of state government. Yet, one of the principal agencies entrusted with administering many of California's tax laws--the State Board of Equalization--must rank as one of the least publicized and least known offices in state government. This obscurity is especially surprising since the board dates back to 1879, when it was established to implement a provision of California's original constitution that "Taxation shall be equal and uniform throughout the state." Its structure of the state controller and four elected district representatives has remained to the present.<sup>1</sup> However, the taxes it has been charged with collecting and monitoring have grown immensely. Long primarily the agency overseeing property taxes, the Board of Equalization became the collector of sales and use taxes when they were established in 1933. Since then, its functions have expanded to such diverse levies as the 911 telephone tax, energy and transit district surcharges, and hazardous waste taxes. Clearly, to record the evolution of the Board of Equalization is to survey much of the history of taxation in California.

Richard Nevins is in many ways the logical interviewee to summarize this historic agency and its changing role. He had served continuously

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1. Steven P. Arena, History of the California State Board of Equalization: The First One Hundred Years 1879-1979 (Sacramento, 1980), 1.

on the Board of Equalization from 1959 until 1987, the longest term of any living or former member when this interview was planned. His initial election marked the shift in the partisan composition of the board from a predominantly Republican body to a Democratic one. During his tenure, the board was substantially reorganized, revised the property assessment process, considered various reforms of property and sales taxes from the mid 1960s to the late 1970s when Proposition 13 was passed, and subsequently worked out the procedures for implementing that epochal shift in California's tax policies. Mr. Nevins also witnessed the adoption of numerous special taxes as well as a growing list of exemptions to long-standing ones. His lengthy comments on these and other events related to the Board of Equalization in themselves make a substantial interview.

But Richard Nevins brought two additional dimensions to this interview. During his years on the board he became familiar with the history of tax policy in California, and he places his own experiences in a longer background of the evolution of state taxes since 1930. He has also been active in politics and Democratic party activities through most of his public career, and he offers extensive commentary on this subject. These recollections are especially interesting and largely unprecedented in the area of elections and reapportionment of the districts of the board members.

This volume is unusual in that it is comprised of two sets of interviews of Mr. Nevins by two different interviewers. The project was

originally taken up by Dr. Jackson K. Putnam, professor of history at California State University, Fullerton. He interviewed Mr. Nevins on January 12, 1987, for approximately two hours. This interview focused heavily on Mr. Nevins's political experiences, and reviewers suggested that further questioning be done concerning the board and tax policies. Dr. Lawrence B. de Graaf, also a professor of history at California State University, Fullerton, thereupon resumed the interviews in early 1989. He conducted four interviews, each lasting from two to three hours. It was during these interviews that the background history of California tax policies and most comments on tax issues during Mr. Nevins's board tenure were recorded. All interviews were conducted at Mr. Nevins's home in Pasadena.

The value of any oral history rests heavily on the qualities of both the interviewer and the interviewee. Neither Professors Putnam nor de Graaf was a specialist in California tax policy, but each brought to the interviews two other areas of expertise. Dr. Putnam is a recognized specialist in modern California political history, while Dr. de Graaf has long offered courses in recent American history with emphasis on broad issues of public policy. Richard Nevins's knowledge of California taxes is extensive, resulting in an interview that is rich in references to specific legislation and court decisions. Both interviewers had good rapport with Mr. Nevins, who was relaxed and friendly throughout each session. He did digress from questions on quite a few occasions to include personal commentaries on tax matters on which he held strong

opinions. Sales tax exemptions and the Williamson Act are conspicuous examples. Others digressions provided background information on the evolution of a policy or extended commentary on the effects of various laws. He also offered observations on contemporary public figures. This combination of detailed knowledge and frequent extended commentary has produced an exceptionally lengthy oral history but one that should prove useful to a variety of state officials and scholars.

The interviews were transcribed during the spring and summer of 1989 by Garnette Long and Gaye Kouyoumjian. Lawrence de Graaf edited them in fall 1989, and in December they were sent to Richard Nevins for review. He returned them early in 1990 with substantial added comments. Considerable time was spent researching the numerous references to legislation, largely done by Lawrence de Graaf. The revised transcript was proofread by Shirley E. Stephenson and Debra Gold Hansen, and all corrections were encoded by Gaye Kouyoumjian.

The original tape recordings of these interviews, along with considerable research notes and some photocopied material on the Board of Equalization are in the archives of the Oral History Program at California State University, Fullerton. The master tapes are deposited in the California State Archives.

California State University  
Fullerton

LAWRENCE B. de GRAAF

## BIOGRAPHICAL SUMMARY

### RICHARD NEVINS

#### Personal:

Parents: Richard Nevins and Katherine Bass Tilt  
Born: April 21, 1921, Los Angeles, California  
Married: In 1946, to Mary Lois Minton  
Children: Richard, Jr., William, and Henry

#### Education:

Montessori School, Pasadena, California  
Arroyo Seco Elementary School, Pasadena  
Polytechnic Junior High School, Pasadena  
Midland School, Los Olivos, California  
Yale University, B.A., 1943

#### Professional Career:

Insurance solicitor, Marsh and McLennan-Cosgrove Company,  
1946-1958  
Member, California State Board of Equalization, 1959-1987; chairman,  
1968, 1970-1971, 1979-1980, 1983-1984

#### Political Activities:

California Federation of Young Democrats South; vice president,  
1954-1956; president, 1956-1958  
California Democratic Council, 1953-1968; member, Founding  
Conferences, 1953  
Delegate, Democratic National Convention, 1956, 1960, 1964, 1972,  
1976, 1980  
Democratic State Central Committee, 1954-  
Los Angeles County Democratic Central Committee, 1958-

#### Professional Associations:

National Association of Tax Administrators; president 1984-1985

Western States Association of Tax Administrators; Executive Committee, 1976-1984  
American Society for Public Administrators; Los Angeles Chapter president, 1966-1967  
The Academy of Political Science. 1967-1976  
The American Academy of Political and Social Science, 1959-1976  
California Assessors Association, 1959-  
National Tax Association-Tax Institute of America, 1961-

Civic Organizations:

American Legion, 1957-  
California Historical Society, 1966-  
Community Relations Conference of Southern California, 1974-1991  
CORO Foundation, 1964-1973  
United Way, Southern California Chairman, State Employees, 1979, 1980  
Los Angeles World Affairs Council, 1960-1974  
Pasadena Beautiful, 1962

Awards:

American Society for Public Administration Earl Warren Award for Outstanding Achievement in Civic Affairs, 1968  
American Society for Public Administration Will Baughman Award, 1981  
Certificate of Outstanding Service, National Tax Association, 1985  
Humanitarian Distinguished Public Servant, Community Leader Award, 1981  
Greene Bonanza Award for Honesty, Integrity, and Dedication in Public Service  
Eagles Dare to Win Award, Society of California Accountants, 1981

[Session 1, January 12, 1987]

[Begin Tape 1, Side A]

PUTNAM: Mr. Nevins, perhaps you would like to give a brief background of your own, just in your own words, particularly your prepolitical career.

NEVINS: I was born at the Good Samaritan Hospital in Los Angeles on April 21, 1921, but I have lived all my life here in Pasadena. I went to a Montessori school when I was three or four years old. I went, for a few years, to a public day school; it was just down the street from here, but it is now torn down. And I went to Polytechnic School. That's a private school here in Pasadena, for three years, through the ninth grade. Then I went to Midland School, Los Olivos, California. That was a boarding school started by Paul Squibb in 1932. I got there, of course, in 1936. It hadn't been going very long. I graduated from there and went on to Yale University, and graduated in the class of 1943, which actually got out in December of 1942 because the war was on. Then I went into the U.S. Army Air Forces, and into a course called premeteorology C, at Pomona College. I was there a year, from February of 1943 to February of 1944. I met my wife-to-be, Mary Lois

Minton there. The rest of my three years in the U.S. Army Air Forces was spent as a weather observer in various places like Bakersfield, California and Reno [Nevada] army air base. I went back to Harvard University in the law school there for training in a radar-radio sound balloon business. I was in New Jersey a short time, then back to Illinois and back to California. I ended up the war at Palm Springs, which was very hard duty obviously, [Laughter] in the wintertime.

PUTNAM: Yes. [Laughter]

NEVINS: When I got out of the Army [Air Corps] in February 1946, I went looking for work, and I ended up with a company called Marsh and McLennan, which was a nationwide insurance brokerage firm. I got a job, and I went back and got married, and came back to California and have continued living here ever since. I worked for Marsh and McLennan until 1958. During the time I worked for Marsh and McLennan, I became very active in the Democratic party here in California, and got active in the California Federation of Young Democrats, because one of my friends was active in that. She, actually, was the state president, and I succeeded her, two or four years later as state president. I was state president from 1956 through 1958.

PUTNAM: Whom did you succeed? What was her name?

NEVINS: Toby Osos. There was somebody in between us--I don't have good name recall--who actually was in the weather service with me. I'll think of his name in due course here [Tom Winnett].

Anyway, because this was a period--we're talking now about the 1950s--this is when the so-called club movement got started in the Democratic party in California. And I certainly was a part of that from the very beginning. We first had the [Adlai E.] Stevenson campaign here in Pasadena. There was a thing called the Franklin D. Roosevelt Club, and I became mildly active in that. I worked in the Stevenson campaign. And then when this Toby Osos person was very active in the Young Democrats, got me to go to the place where the club movement in California really was launched, where the California Democratic Council's idea was started, at the then Presbyterian resort in Monterey, I'll think of it, it begins with . . .

PUTNAM: Asilomar.

NEVINS: Asilomar, yes. OK. I then went to all the conferences of the California Democratic Council, the founding one in December of 1954, I think it was.

PUTNAM: I believe it was 1953.

NEVINS: Yes, 1953, that's right. December of 1953 in Fresno, and on to all the others from then on. And, of course, when I ran for office myself, while I was still president of the Young Democrats, and the year that I left Marsh and McLennan, in 1958, I did seek, and get, the endorsement of the California Democratic Council [in 1958], which was decisive in getting me through the primary because, you recall, in those days we had cross-filing. What you had to do is win your own primary in

order to be the candidate in the general election, which I did do. And actually, the way the primary worked out, the opponents to the incumbent got more votes than he did, which was a pretty strong indicator to me that I was going to win in the fall election.

PUTNAM: The incumbent was?

NEVINS: [Robert] Bob McDavid. He's still alive. He lives in San Diego County.

PUTNAM: And you defeated him in the fall election. Is that correct?

NEVINS: Defeated him in the fall election. We were in the Democratic sweep.

PUTNAM: Did you have much opposition in the primary? Were there several Democrats applying?

NEVINS: Yes, there were a number of Democrats. They didn't put on much of a campaign, but there were other Democrats. I think there were two other Democrats, and the Republican, Bob McDavid. And I don't know whether this is the place to go into it, but there is a complex way that you get on the ballot. And I was helped [by my position] on the ballot. I've been lucky in politics a lot, and I was on the ballot in the right places, in the right assembly districts at that time, and it was very helpful to me. Anyway, so that year all the Democrats won but the secretary of state candidate, and the reason that our candidate lost was that there was a Prohibition [party] candidate in there who got just enough votes to keep . . .

PUTNAM: Keep you from getting a clean sweep.

NEVINS: To keep us from getting a clean sweep. And, of course, that secretary of state position has been troublesome to both parties ever since. [Laughter] You recall that your friend Edmund Gerald [Jerry] Brown, Jr., filled that spot. [Laughter]

PUTNAM: And parlayed it into the governorship.

NEVINS: Yes, parlayed it into the governorship. And he hoped to get higher things, which didn't work out.

PUTNAM: Yes.

NEVINS: OK, that sort of gets me up to getting elected to the board. I could go into a lot more detail than that. But I was very active in the club movement at that time.

PUTNAM: Perhaps you should explain what you meant about the complexities about getting on the ballot in that election.

NEVINS: Well, what happens in a ballot situation where there is more than one candidate for the seat, not including the incumbent, we're talking about, the incumbent was always first in those days, no longer. But you were rotated on a ballot by chance by assembly district. And I had about forty-one assembly districts in my Board of Equalization district, over half of the state. So where you came out on top, underneath the incumbent, or the bottom, was better than being in the middle. So if your campaign made a point of being more active in the areas you were on top, you tended to do better. So it was worthwhile making an extra effort in those areas.

PUTNAM: I see.

NEVINS: One area that one of my Democratic opponents beat me was the Riverside County area. He had done more work than I had in that area.

PUTNAM: Do you remember his name?

NEVINS: I can remember his face, I can't remember his name. If you want me to remember names I'd have to have some help. He was a salesman for an auto company and had been active in politics in a mild way, but not enough to really do anything. He didn't have a lot of people working for him the way I did.

PUTNAM: I see.

NEVINS: Because all the people who were endorsed by CDC [California Democratic Council] worked together. It gave everybody the other names, and then there was one piece of mail that went out to every household, that said who the officially endorsed Democratic candidates were. That's what got me through the primary. Once we got through the primary, the general election was pretty simple. In spite of what the newspaper said in those days about the so-called [Goodwin J.] Knight-[William F.] Knowland split, basically we found as candidates that people were pretty tired of Republicans. They had been very arrogant and lazy. [Laughter] There really was a time for a change, and they voted for us even though they were taking a chance on us. And we had some pretty strong people at the top of the ticket. Our candidate for the senate was congressman [Clair]

Engle, and a very nice fellow, by the way, and [Edmund G.] Pat Brown [Sr.], and the rest of the slate was good, but I mean they weren't as well known. Stanley Mosk was pretty well known.

PUTNAM: As attorney general.

NEVINS: Yes. He had been a superior court judge in Los Angeles, and in those days there weren't just hundreds of superior court judges, there were like twenty. And so he was quite well known as a judge. That helped him a lot.

PUTNAM: What motivated you to run for that particular office? Was your insurance background a factor?

NEVINS: Not really. Well, in a way you could say it was. What had happened in the insurance business was that Marsh and McLennan had an office in Los Angeles. It was not the world's best-run operation, and the people who led it were not what you would call vigorous. We weren't expanding in Los Angeles to the degree that the national people thought we should considering the growth of the area. So they had an opportunity, the national people had an opportunity, to buy another major Los Angeles insurance brokerage firm called Cosgrove. They did do that. And the way the deal worked out the Cosgrove people took over the Los Angeles area, and the Marsh and McLennan people took over the Cosgrove office in San Francisco, which was very much smaller than the one in L.A. [Los Angeles]

PUTNAM: I see.

NEVINS: That meant that there weren't that many promotional

opportunities. In fact, they were going to have quite a substantial reduction in staff, which they did have. Because of my experience as a volunteer politician I knew enough about running for office to think, well, maybe I had a pretty good chance. Actually, I didn't know as much, not really enough, but I had friends who did know enough, and they did help me. There was one named Glenn Wilson, who had been very active in the campaign for James Roosevelt for governor in 1950, and he, at least, knew all the mechanics of what you do in a campaign. What do you do every day in the campaign. Toby Osos, by the way, was my campaign manager. We ran in a district that was eight counties in southern California, 11 million people, something like that, an awful lot.

PUTNAM: A huge district.

NEVINS: A huge district. Actually, it looks big on a map, but the population areas are really rather concentrated. Either they're concentrated or they were on a line, so you really weren't running off into the underbrush very much.

PUTNAM: I see.

NEVINS: You were making trips. I could drive to 90 percent of the population in an hour. This [Pasadena] is where I lived at that time, because I moved into this house in 1956.

PUTNAM: Really?

NEVINS: The only place that was two hours away that amounted to anything was San Diego. And, of course, San Diego was very much smaller in those days than it is now.

PUTNAM: Yes.

NEVINS: And then Santa Barbara was the other place that was more than an hour away. But you could go to Ventura, you could go to anyplace in Orange County in those days in an hour from here.

PUTNAM: It's hard to believe now.

NEVINS: So it looks terrible, but it wasn't that bad. I mean, all of Riverside, San Bernardino, and the populated parts of Riverside, San Bernardino, Orange, everything, was within an hour.

PUTNAM: Close together.

NEVINS: From that point of view it wasn't so bad.

PUTNAM: Were there other CDC members who wanted . . .

NEVINS: Well, it was sort of involved. The [CDC] convention, of course, was in Fresno in January of 1958, and we were to endorse the constitutional officers and there was a change in the bylaws, and we adopted the change of endorsing for the state Board of Equalization. Unfortunately, the way the meeting dragged on we didn't have enough time.

PUTNAM: Oh, really?

NEVINS: In the Fourth District, the one I'm in. Bert Betts was running for treasurer and was having difficulty getting the endorsement, but he finally did get it. But he would have considered running for the Board of Equalization. He was an accountant, and he had actually worked for the board at one time. So I was the only major CDC person that I knew that was

interested in the job. There were other people who looked at it, but never got seriously involved in running for it. So as far as I know he was the only serious CDC candidate. Now, after I announced my candidacy, and we had another endorsing convention in Los Angeles County to endorse for the then State Senator Richard Richards, we used that as a place to endorse for me. There was another candidate, his name escapes me at this point, but he was the serious CDC person, and I got the overwhelming number of votes at the endorsing convention, and was endorsed. This made a lot of difference, obviously.

PUTNAM: Were you quite well acquainted with the other main movers and shakers in the CDC, like Alan Cranston, for example?

NEVINS: Oh, yes, I've known Alan Cranston since Asilomar. I met him and didn't know him really well, but I mean everybody met everybody--there were only a couple of hundred people. Like politicians we ran around and met each other, that was considered part of the ballgame.

PUTNAM: Yes.

NEVINS: So Glenn Anderson and Paul Ziffren, Richard Richards, Alan Cranston . . .

PUTNAM: George Miller, [Jr.]. Was Miller . . .

NEVINS: George Miller was there, but not as active as you would have thought. He was the chairman of the Democratic party at the time. Actually, he called the meeting. But he wasn't as active at the meeting as you would think from what people tend

to say. But he was there and I got to know him rather well later on, because we saw him up in Sacramento. He was a very personable fellow.

PUTNAM: What was the attitude of you and the organization toward the other regular members of the party who were not so much CDC oriented, like Pat Brown, I suppose, and Jesse Unruh?

NEVINS: Well, let's go over what was the organized party. Well, the organized party in the fifties were the incumbent Democratic officeholders for the assembly. There were a couple of state senators, I believe, that were Democrats, but not many other than Richard Richards. And there were very few of these people. I mean the Republicans had done a magnificent job of reapportionment. The great judge [Laughlin E. Waters], is still alive. Nice fellow, here in Los Angeles, was an assemblyman in 1951 and did the reapportionment.

PUTNAM: As judge?

NEVINS: He's now a federal judge. He did an outstanding job, so that the Democratic districts were large and very Democratic, and the Republican districts were small and leaning Republican. Unfortunately, in 1958, we won all, we took over both houses of the legislature, although the senate apportionment was a totally different thing at that time. But anyway, we did win. Now, Pat Brown I don't think was really identified as [CDC], like Chet Holifield, for instance, who was a congressman.

PUTNAM: Yes, oh yes.

NEVINS: [Augustus F.] Gus Hawkins. They were the kind of people who were the incumbents that were rather hostile to the club movement. Pat wasn't enthralled with it, but he, even though he had been attorney general, somehow wasn't identified as a hostile incumbent.

PUTNAM: I see.

NEVINS: And he went along with the club movement. You know, not wholeheartedly. I would say Clair Engle, who, of course, was a congressman at the time, was very friendly to the club movement.

PUTNAM: He was?

NEVINS: Right. All the time. And very helpful to me in my campaign. A couple of times when my campaign schedule fell apart, he just included me in his.

PUTNAM: Really?

NEVINS: Oh, yes. Like Labor Day, we went down to Norwalk, which was at that time considered a very Democratic place. He had an event at a park, and I got introduced and had a chance to say a few words, and all that good stuff.

PUTNAM: That's really nice.

NEVINS: He helped me a number of times. One time the League of Women Voters cancelled out on me at the last minute, and he had me do an event in Long Beach, which I really enjoyed.

PUTNAM: How about Sam [Samuel W.] Yorty?

NEVINS: Well, as I recall, Sam Yorty was a congressman, but I forgot the last time when his term ended. It seemed to me his term ended in 1956, as I recall.

PUTNAM: I thought it was 1958, but you might be right.

NEVINS: Well, [James] Jimmy Roosevelt, took his seat over, and I can't remember when Jimmy first took it over, because Sam ran for something.

PUTNAM: Well, he wanted to get the CDC endorsement for the U.S. Senate.

NEVINS: The senate, but he wanted it, it seems to me, in 1956, didn't he?

PUTNAM: He wanted it in 1956, and you turned him down for Richard Richards. Is that correct?

NEVINS: That's right.

PUTNAM: Wasn't there a big fight about that?

NEVINS: We did nominate him once, it seems to me, and he lost.

PUTNAM: Yes. I believe you did, in 1954. Because [Senator Thomas] Kuchel had been appointed to fill out [Richard M.] Nixon's term and had to run again in the next statewide election.

NEVINS: Well, Yorty must have given up his congressional seat then, if he ran. He was out of office for three or four years there before 1958. And then he ran for mayor in 1959, and won. I remember that; we were all surprised. We were hoping we were never going to see him again. [Laughter]

PUTNAM: Was the feeling of the CDC pretty adamantly opposed to Yorty?

NEVINS: Well, Yorty attacked us viciously a number of times, and we, therefore, were less than friendly to him, let's put it that way.

PUTNAM: After first seeking the CDC's endorsement?

NEVINS: That's right. And he had [Rosalind] Roz [Wyman], when I went out there, pounding away. She had just been elected as city council person, and she was very much a part of the club movement at the beginning of her political career. She sort of moved away from it as time went on.

PUTNAM: Yes.

NEVINS: Roz Weiner she was in those days.

PUTNAM: How about Jesse Unruh?

NEVINS: Jesse Unruh started with the Trojan Democratic Club, and moved out from that. And that was a club where he and the people he had met at USC [University of Southern California] were very, very close with each other for years. He's never participated very actively in the CDC, although a couple of his people always went to every meeting.

PUTNAM: Oh?

NEVINS: And all of us liked them as individuals, but they were clearly just [Jesse Unruh's] people. Jesse wanted to be more like the incumbents, and he, of course, was first elected in 1954. So he really was a part of more, what you might call, the incumbents.

PUTNAM: Yes. How long did you stay a member of the CDC? Or are you still?

NEVINS: Well, the CDC is a sort of a weird organization. There were two ways you could be a member of the CDC in those days. Now, you know, I'm not really up-to-date on the rules. If you were

an official of the California Federation of Young Democrats, you know, like president, or vice president, you were a member of CDC by virtue of that. If you had something to do with the state committee, you were an individual member.

PUTNAM: Oh, were you? Really?

NEVINS: Yes. I think if you were a nominee, even though you weren't an officer, but if you were a nominee, you were an individual member. So I was a member of CDC by virtue of those things, all the way.

PUTNAM: I see.

NEVINS: I did not have to be elected by my club to be a delegate the way most of the people were. Now, if you got elected to be an officer of CDC then you were an individual member, and that was quite important.

PUTNAM: Yes. Were you active? Did you remain active in the CDC during the upheavals of the 1960s?

NEVINS: Well, I was active until about, I would say, 1962. Somewhere along in there. As I recall, the last convention I really did anything in, was, I believe, in Bakersfield.

PUTNAM: I see. What year was that?

NEVINS: It would be 1960, 1961, 1962, somewhere along in there.

PUTNAM: OK.

NEVINS: Well, I certainly went to the one--that would be in 1960--where we wanted Hubert Humphrey to be nominated.

PUTNAM: Oh, yes.

NEVINS: He gave an hour speech, where he was told fifty million times to give a fifteen minute one. [Laughter] And he just couldn't do it. That was a mistake. I think he almost lost California just on that alone.

PUTNAM: You think so?

NEVINS: Yes. We were beginning to get into the television-radio age. And Hubert was from the sort of county fair politics, where you have a long talk, and are part of the entertainment of the evening. Well, that's not the way it was at this point, especially a bunch of politicals. And he came on a Friday night, and started talking like at quarter to twelve. And was still talking an hour later. And then we had to get up the next morning, and you know, the convention had a tight time schedule. Anyway, it was a mistake. But I'd say about 1962 I was chairman of the credentials committee of CDC. And that was the end, maybe 1963. But it wasn't any farther than that. Then after that we decided that wasn't my bag, and I started to do other things.

PUTNAM: Was your CDC experience related to your role as state president of the Young Democrats?

NEVINS: As I said, if you were an officer of the Young Democrats, you were an individual member. So I made it a practice, as president of the Young Democrats, to associate myself, and go to every major meeting of the California Democratic Council, which I did do.

PUTNAM: I see. How effective do you think the Young Democrats were as a political organization?

NEVINS: Well, I think that the main reason for the Young Democrats, and the one that's still a good reason, is it gives a young person a chance to find out what politics are all about. What do you do? How do you have to conduct yourself to be a successful politician? And there are a lot of people who started that way. [A. Phillip] Phil Burton is one.

PUTNAM: Yes, he was.

NEVINS: Howard Berman, [Henry] Waxman, were all people who started out as Young Democrats, also [Mervyn] Merv Dymally. He ground the mimeograph machine for me at eight o'clock in the morning at the conference in 1958, on a Sunday morning.

PUTNAM: Is that right?

NEVINS: The officers get up and do the hard work. [Laughter] Anyway, what it does. . . . Well, you certainly begin to find out what makes politics go. What is it that you need, what kind of connections do you need to get into party politics? What is party politics all about? And the Young Democrats is a very fast way to go, because you sort of, in miniature, you're doing everything that they are doing at the national level. We are talking about the way party politics were conducted in those days, which is substantially different now.

PUTNAM: Quite so. Getting into your elections, which election do you think was the most difficult for you? The first one?

NEVINS: Yes, I think you could say that the first one was. We just had to learn what politics was all about, and learn how to make talks, and how to write press releases, and how to deal with the media, and how to get along with other politicians and all that stuff. You can say that for that reason it was very tough. The election that should have been very difficult was 1966. But the Republicans didn't realize how well they were going to do, so they fielded some person who was in the trucking industry. I can't remember his name at this point.

PUTNAM: Frank McCarty?

NEVINS: Frank McCarty was just a nothing, a cypher. And if he had been a real candidate he would have defeated me easily. But I had campaigned pretty heavily.

[Interruption]

PUTNAM: Yes, Frank McCarty—I see you beat him by about a hundred . . .

NEVINS: By 50.1 percent. Very small.

PUTNAM: A million eight to a million six nine. That was our golden opportunity with the [Ronald W.] Reagan election.

NEVINS: That's right. The Republicans were totally unaware of what the politics of that situation were. They thought they would maybe win a couple of seats. They didn't realize they were going to win a lot more. And we didn't really begin to realize we were in trouble until fairly late in the campaign. We thought we were going to do pretty well. And it just didn't turn out that way.

PUTNAM: It was a disaster, wasn't it?

NEVINS: Right.

PUTNAM: Now, in 1970 you ran against Howard Jarvis. Was that a difficult one?

NEVINS: Well, Howard Jarvis was defeated on mechanical grounds. The gist of that was Howard Jarvis had been a part of some motion to start a conservative party, which had the effect of splitting off votes from the Republican party. So the Republican leadership remembered that, and went out of their way to make sure that he didn't defeat me. I would meet these Republican leaders on the street and they would say, "Dick, don't worry about Howard, we'll take care of it."

PUTNAM: Is that right?

NEVINS: Yes. They did that, a lot. Not just once or twice, a lot. [Laughter] So the point of that is that he had a chance, but by then the people had moved away from their sort of Republican position. All the time that I was in office I came on as sort of nonpartisan, even though I came from a very partisan background as a politician. I didn't come on as a partisan Democrat in office. I came on as a sort of good government type.

PUTNAM: Yes.

NEVINS: And I said I would try to get the League of Women Voters type vote. That's where I aimed myself. And that is one of the reasons I didn't run again [in 1986]. That type of vote has

kind of gone away. There aren't a lot of good-government people out there anymore, [Laughter], unfortunately.

PUTNAM: Incumbency, though, is a pretty great advantage.

NEVINS: The big advantage of incumbency over anything else, is that you know where everything is.

PUTNAM: Yes.

NEVINS: You can spot a problem and do something about it. You have the means to do something about it. It's not so much that you're in, it's that you know where it is, and you can move fast, and you're very sensitive to a lot of things going on. Whereas if you're a challenger you just don't have the ways of getting the information that an incumbent has, unless the incumbent's in some very serious difficulties.

PUTNAM: Yes. I see by 1978 you had no opposition in the Democratic primary or the general election.

NEVINS: Again, a big mistake on the Republicans' part. This was a chance to wipe me out easily if they had had a good opponent. I mean, you know, just a reasonable opponent would have made a great deal of difference. When you don't have any opponent, why, life's a bowl of cherries, right?

PUTNAM: Yes.

NEVINS: So then in 1982, you know, we had the three-day scare, so to speak. The Berman-[Carl J.] D'Agostino, [Jr.] people put on this tough primary thing. They mailed out about 2.2 million pieces against me.

PUTNAM: In favor of whom? Julian Lawler?

NEVINS: Saul Lankster.

PUTNAM: Oh, Lankster, Saul Lankster.

NEVINS: He was a black crook from Compton. I don't know why they picked him, because there was a woman. And, you know, they wondered themselves why they didn't pick the woman.

PUTNAM: Shirley Smith.

NEVINS: Shirley Smith. She was a pretty nice person.

PUTNAM: Why did they do that?

NEVINS: Well, I think they were getting into business, into the campaign management business, and they wanted to show that their ability to field these mailers would make a big difference. So if you picked on a candidate, an incumbent, who didn't expect any attack, you could measure how effective their mailers were. Well, they were.

PUTNAM: That's pretty cold, isn't it?

NEVINS: It is pretty cold. And especially when you consider that I had known a lot of these folks, had helped some of them, and I knew D'Agostino quite well. He had been involved in my reapportionment in 1971. He was a staff person for the [assembly] elections committee. And the whole thing was just pretty weird when you got right down to it. We ceased to be friends, let's just put it that way.

PUTNAM: Yes. I would think that it would create hard feelings.

NEVINS: Well, there were. I took them on pretty hard. And it cost a lot of money to unbail themselves, anyway.

PUTNAM: Yes.

NEVINS: But I came the closest to getting wiped out there, really. I mean, I only got 39 percent of the vote, and Lankster got 36 percent. We put on a last minute radio spot campaign. We got about a 100 or 200 spots out, which we fabricated on Sunday, got them out on Monday and Tuesday. And we got some full page ads in the L.A. Herald and the L.A. Times. We tried to get them in the other papers and they wouldn't take them.

PUTNAM: Really?

NEVINS: We tried to get them in the Long Beach Press Telegram, The Daily Breeze, Star News, and they have a policy that they won't put ads in on the last day.

PUTNAM: I see.

NEVINS: But we needed to assure people I was running.

PUTNAM: Did they suggest you weren't running?

NEVINS: Well, I mean, you know, if you've got all this mail, and you didn't counterattack, you were asking to be eliminated. So we dropped about \$20,000 or \$30,000 on this last minute stuff.

PUTNAM: I see.

NEVINS: We really should have spotted it a little sooner. But my campaign people were pretty complacent. I was the one. . . . It's funny on that campaign, I wanted a spot ready just for this sort of thing, and they didn't do it. I mean we had to make a new one; we had to make one on Sunday.

PUTNAM: How did you do that?

NEVINS: They took the one we had before and changed a few words.

PUTNAM: I see.

NEVINS: They eliminated some stuff. [Laughter]

PUTNAM: That's the Sunday before the election?

NEVINS: Yes.

PUTNAM: Pretty close. Well, you won by 227,000 to 173,000. That wasn't that bad.

NEVINS: But I mean that's if you take a percentage . . .

PUTNAM: Yes, and there were two other candidates.

NEVINS: Two other candidates. I wasn't any world beater, let's put it that way.

PUTNAM: But then in the general election you all had it back together again. You won.

NEVINS: What I did was I spent quite a lot. We spent about \$70,000 or \$80,000, as I remember, somewhere along in there. We went in for one minute, we went in for ten second TV spots. We bought some newspaper ads. But the ten-second TV spots were very effective. I would recommend that candidates for the kind of office with the area that I have really use those again. And Conway Collis did use them in this election. He's the one with the "Karate Kid."

PUTNAM: [Laughter] Yes.

NEVINS: I just think it's so much more effective, you get so much more for your money on television than you do through the other medias. It's just unbelievable.

PUTNAM: Of course, that makes it more and more expensive too, doesn't it?

NEVINS: Well, not really. Direct mail is pretty expensive, if you have a big district like ours. But Paul Carpenter, who is now the incumbent, he used a lot of direct mail, and beat people who also used direct mail. Against my advice [Los Angeles County Assessor Alexander] Alex Pope did not use television, and I think if he had he would have won. But he didn't.

PUTNAM: Did you support Pope?

NEVINS: No, I didn't. I didn't support anybody.

PUTNAM: You didn't support anybody.

NEVINS: I was neutral in the [1986] race.

PUTNAM: You were neutral?

NEVINS: But I just feel that television is the way to go, and that people are going to have to look to cable and all that.

PUTNAM: Yes.

NEVINS: At least part of your campaign has to be done that way. I mean you have to have certain other things going. You have to have a position, you've got to be able to tell people what you're doing, and all that stuff. As far as letting people know that you're alive television is very, very effective.

PUTNAM: Perhaps we should have a few questions about what you do on the Board of Equalization after you get elected to it. What do you regard as the board's most important function?

NEVINS: Well, the board is a tax administering, a state tax

administering organization. And there are fifty states, and every one has an organization like the Board of Equalization, operating in very much the same way we do. California has been a leader in tax administration since the 1930s, I guess. And the Board of Equalization has been a part of that leadership. We've developed new techniques. Overall the California government has been well financed, and well run without a lot of patronage hocus-pocus going on. That has been a problem in other states. The people have supported the civil service system up until Ronald Reagan became governor, particularly under Governors Earl Warren and [Goodwin J.] Goodie Knight. They were both very strong supporters of the civil service system in state government. And they went out to make it a really good operation. And it's funny that the governors since then have not carried on that tradition.

PUTNAM: Why is that, do you think?

NEVINS: Well, somewhere along the line this government bashing business came along. And it's still in style, although the Democrats are counterattacking on it now. I think you're going to see in this year's legislature a change on that. I think you see sort of timid things that the governor's doing to try to get away from government bashing like having bonds for freeways. I'm surprised that people haven't laughed him out of his place.

PUTNAM: He has gotten away with that pretty well, hasn't he?

NEVINS: But the point there is that people are suddenly realizing we are going to have to have state and local government again to do a lot of things. I think that you people who live in Orange County can point out with great detail how it costs you a lot of money to sit on a freeway every night because you don't want to spend another nickel a gallon on gasoline taxes. But if that's your choice, and you want to save, you know, maybe ten cents on taxes coming home at night, why, you can sit out there for the hour that you're out on the freeway and enjoy yourself, as far as I'm concerned. [Laughter] But I would say in Jerry Brown's time, particularly, the state civil service took an awful beating. He did very badly on pay. He and Ronnie Reagan cut back training, and all the other things. The kind of people they put on the personnel board, and what you call the civil service commission in other states, were not the quality of people that could keep a first rate civil service going.

PUTNAM: How did that affect the board?

NEVINS: Well, the board members, the elected partisan board members recognized that the only way that they were going to do well is to have an effective civil service staff do a good job for them. And that's what we've done. And we do have a good reputation. We are well liked. I point out to you that this telephone number I have here was listed right next to my office phone for almost twenty years.

PUTNAM: Is that right?

NEVINS: And I get about one call a year, in a calendar year, complaining about taxes.

PUTNAM: Really! That's all?

NEVINS: That's all. That tells you something.

PUTNAM: Yes, it does. Property taxes, are you talking about?

NEVINS: Property taxes is a part of tax administration. We were sort of indirect in that. Every state has the same kind of system. They'll have a locally administered property tax. It's fifty-eight county assessors. There were some city assessors extant when I first came in office, but they didn't amount to anything. So the state has an interest in seeing that the property tax is well administered, because if it is, then you have to appropriate less money for schools, or whatever the other functions of government are, because after all the state is the constitutional and historical element of government, and counties and cities are creatures of the state.

PUTNAM: Correct.

NEVINS: And it's the state that has the power that George III had. [Laughter] It's not the city and county of Orange, or the city and county of San Francisco, or whatever it is. It's the state. And that's where it is. So if you're a state legislator, what you don't want to do is raise the money at the state level and have it spent locally, and let the local guys get away with murder. And that's your basic position, and it's that part of looking at the total picture that the Board of

Equalization carries out its role in property taxes. We did assess the state utilities, but that was a practical problem. The only reason we did it was it was very difficult to do locally.

PUTNAM: Yes. Do you still do that.

NEVINS: We still do that. I suppose it could be done locally. It's easier to do it this way, and it's inexpensive, so why not.

PUTNAM: Do you regard that as the most important function, the supervising of property tax administration?

NEVINS: Well, certainly when I came into office it was very important. Property taxes made up about 60 percent of the total state and local revenue at that time.

PUTNAM: Really.

NEVINS: The whole banana. Property taxes when I first came in were around 60 percent. It dropped down to about 52 [percent] or 53 percent by the time Proposition 13 came along. Now, property taxes altogether equal about the same amount of money that state sales taxes and the personal income tax together. Those are the three taxes that we now have in common. We have a whole bunch of cats and dogs out there. But those are the three major ones. The billions that you talk about, that's where they come from. So property taxes was reduced from 60 percent down to like 20 percent. In other words, there was a very substantial reduction.

PUTNAM: Sales taxes, you receive sales taxes?

NEVINS: What's happened under the statutory scheme is that the legislature said, "Here, Board of Equalization, you administer the sales tax." We had some effective politicians on the board in 1933, and they got the job, and we did a good job until there was no good reason to take it away from us. And we get all the so-called excise taxes. The Franchise Tax Board, the other taxing agency, gets the personal income tax, some property tax assistance, which is a real Mickey Mouse little thing, and the corporate income taxes are the three things that they have. Then we have all the excise taxes, of which there is quite a number.

PUTNAM: And you receive them, and then what?

NEVINS: Put them into the state treasury.

PUTNAM: Put them in the state treasury in the general fund.

NEVINS: Well, we're the agency that collects them. We're the collection department for taxes, that's what it's all about. The whole thing is aimed at getting the money, so you develop a scheme to get the money. In the case of sales taxes you give people permits to engage in the sale of tangible personal property at retail, and it's the tax measured by the gross receipt from that sale. And we're the ones that handle that. If you have a permit, then you can buy goods for resale without paying a tax. That's the reason for the permit. So everybody wants to be in that position.

PUTNAM: Can that be evaded?

NEVINS: Sure. Well, what's happened in California right now is. . . .  
Yes, it can be evaded in a number of ways. The first way, and the biggest single loss of sales taxes today and in anytime since I've been in office is skimming. By skimming I mean an employee rings up a sale, or he makes a sale, gets the money and he doesn't ring it up. He puts the money in his pocket. That's a taxable sale.

PUTNAM: Yes.

NEVINS: And probably 2 percent to 3 percent of all sales in California are lost to the owners in the state, or the taxes, at least on those, are lost to the state.

PUTNAM: How do you determine that?

NEVINS: Well, we know from talking to people in the retail business that this is a perennial problem. We know from auditing certain kinds of businesses like liquor stores, where we know what the cost of goods are that there is always this loss. The employees are stealing from the boss, "knocking down," it's called in the bar business.

PUTNAM: Yes.

NEVINS: We're just making these audits at gas stations. They were auditing virtually every gas station in the state. At least they were making a desk audit. We were actually making physical audits on maybe 1,000 of the 10,000 [stations]. We've already completed 300 audits, and we have about \$40 million in tax.

PUTNAM: Doesn't that take a lot of personnel to conduct those audits?

NEVINS: Well, it's not so hard in gas stations, because the energy laws that we passed in the energy crisis require that the major refiners of petroleum products keep a record of their sales to each station, so that if there is another shortage of gasoline in the future, then the station gets its gasoline by its history in the past. So you want to have a record of all those sales. The more you have the better off you are if you have this rationing again. That record is a public record.

PUTNAM: That's available to you?

NEVINS: That's available to us. We use it. That's how we know whether they reported all their sales to us. Because we can say, "Well, if you've bought 100,000 gallons, you should have had \$100,000 in sales. And if you only reported \$60,000 and you bought 100,000 gallons of gas, well, then, obviously you owe us some money."

PUTNAM: Is that how you do it? Do you just tell them you owe us . . .

NEVINS: That's on gas stations, yes. And you . . .

PUTNAM: Is there a penalty for them being behind?

NEVINS: Interest and penalties. We have a lot of clever gimmicks.

[Laughter] Well, tax administration is a pretty standardized thing throughout the state, and throughout the nation, and a lot of procedures are like the IRS [Internal Revenue Service] IRS. We think at this kind of activity we are lot better than they are. We know we are. They administer a diesel fuel tax, which, basically, they depend upon us to administer.

PUTNAM: There have been some major changes that the board has undergone since you've been on it, is that right?

NEVINS: Well, when I first got on the board--the organization had been established in the thirties--they had sort of a department for each tax. In other words, there was a sales tax, a fuel tax, you didn't have a tobacco tax. As I remember there were three or four different kinds of tax laws. Each had a department with a head, an audit and collection staff for each one. And before I took office there had been a study by the staff that indicated that there was a better way to do things. Caspar Weinberger had, as an assemblyman, made a study of why there should be a department of revenue. And this got people interested that maybe we could improve tax administration. So when I came in, that is, when the three new Democrats came in, [Alan] Cranston, Nevins, and [John] Lynch in 1959, we looked very seriously at this study. And after giving it six or eight months of study we voted to implement it. We divided the things up by functions, so that there would be an audit staff, and a compliance staff, there would be the planning groups to go with them, and we then would have an administrator in each office. They used to have just a compliance and an audit staff at the district level, and nobody was in charge of the whole thing. Well, we changed that. We made a number of changes that improved the efficiency, and gave auditors a chance to audit for a number of different taxes, other than sales taxes,

although the sales tax was by far the most important [of the taxes administered by the board. It accounted for] about 90 percent of the [state] revenue all of the time that we were on the board. So that was one of the first things we did. Then during World War II, the audit series had been seriously eroded in its characteristics, and the people who were not auditing were paid as auditors. [State clerical salaries during World War II were not competitive. To get the work done, clerical people were hired as "auditors," but did no auditing.]\* So over the next two or three years we worked on getting these people. There were about 100 of them.

[End Tape 1, Side A]

[Begin Tape 1, Side B]

The effect of this [elimination of nonqualified people from the auditing class] is we improved the efficiency of the audit department a lot. We improved the recovery per hour, and improved the training and professionalism of the staff. Furthermore, we improved their pay, and were able to recruit a lot better. We recruited state colleges, you will be glad to know.

PUTNAM: Oh, really?

NEVINS: We found that recruiting at Stanford [University] and [University of California] Berkeley is not effective for the

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\* Mr. Nevins added the preceding bracketed material during a review of the draft transcript.

state, that those guys all go into the big eight accounting firms, whereas we had very good luck in [California State University] Long Beach, [California State University] Fullerton, Chatsworth, all those places.

PUTNAM: What kind of jobs did these people get?

NEVINS: This is the auditors that make this initial audit. Then the other people would advance. Auditors tend to be the people who become the leadership people in the organization.

PUTNAM: Are these graduate accountants, primarily?

NEVINS: We want college graduates. The requirements are they don't have to be a college graduate, but as a matter of practice we want people who graduated and took the accounting courses we want. We like business administration people. And we've been pretty lucky on our recruiting on that. And we met all the racial balances, and all the other stuff that are the big thing these days, in getting the better people.

PUTNAM: Did the board take a position on the pre-Prop. 13 efforts to reduce property tax? You remember the Watson Amendment and those?

NEVINS: I believe we opposed the Watson Amendment.<sup>1</sup> I can't remember

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1. The "Watson Amendments" were several ballot initiatives aimed at reducing property taxes and limiting local expenditures. They were named after their chief sponsor, Philip Watson, Los Angeles County Assessor from 1962-1977. He inaugurated these proposals in response to protests from property owners over escalating assessments and taxes triggered in part by a 1966 law (A.B. 80) that mandated that assessed valuation of all buildings be maintained at 25 percent of market value. His 1968 initiative was Proposition 9 on the November ballot, and it

precisely whether we did, but I believe we did. We did not support the legislative item, which I believe was called Prop. 8.<sup>2</sup> We thought it was so Mickey Mouse you couldn't explain to anybody what it did. We would be one of the major administering agencies, and we just felt it was a completely asinine scheme.

PUTNAM: I see.

NEVINS: We, as I recall, didn't oppose Proposition 13. There was one board member that voted for it, and we began to realize that this was pretty tough going. And the board members didn't want it. I was the only one that was in position to really take it on, which I did.

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proposed to phase out the property tax for such people-related services as welfare and schools, which would be funded by unspecified state sources, and to limit the tax rate on property to 1 percent of assessed value. It was defeated 32 [percent] to 68 percent. The June 1970 ballot saw a proposal to shift 50 percent of school funding from local property taxes to state taxes, but this was sponsored by the California Teachers Association, and Watson apparently had no role in it. The second Watson Amendment came on the November 1972 ballot. It was similar to the first Watson Amendment, but specified increases in several state taxes to cover the shift of spending to the state. It was defeated 34.1 percent to 65.9 percent. Watson made a third effort at a property tax initiative in June 1976, but it failed to secure the signatures to qualify for the ballot. Failing health and disputes with both Los Angeles city and county governments forced Watson to resign his assessor's job in 1976. Alvin Rabushka and Pauline Ryan, The Tax Revolt. (Stanford: Hoover Institute, 1982).

2. Proposition 8 (November 1966) was the legislative alternative to Proposition 13. It was terribly complex and never had much support. At that time, legislative constitutional amendments appeared on the ballot ahead of initiatives. Therefore, Proposition 8, though developed later, had a lower number than Proposition 13.

PUTNAM: You did?

NEVINS: But the other board members were pretty quiet.

PUTNAM: What do you think the consequences have been for the state board?

NEVINS: Well, it's sort of odd. We had a reduction in staff because of the property tax, the less important tax. And you can say that we had less discretion as a result of the passage of 13. But, actually, we played a major role in developing the regulations that were necessary to carry out this initiative that had been designed by people we never knew, who never came forward to us to tell us, well, what did we mean by this initiative. You recall that we had the Fair Political Practices Commission, which was the result of an outside group of people who wanted the reforms. And there had been prior legislation at the legislative level in that area. The proponents, including Edmund Gerald Brown, Jr., were available at all times, and the other two people who designed it were very active. The same on the coastal zone [initiative]. There had been a legislative initiative, or a legislative effort which had failed by one or two votes. The measure went on the ballot, and the proponents were at hand at all times to explain to the administering body what they meant to do. That did not happen on Proposition 13, at all. And I still don't know who were the people who drafted it. I'm convinced that Howard Jarvis did not play a major role in the drafting of 13.

PUTNAM: Is that right?

NEVINS: Well, the prior things that he did draft are very different. They don't have the freeze in property values; they taxed a lot of other stuff, churches and things like that. He was very down on churches.

PUTNAM: Oh, yes!

NEVINS: That's not a part, of course, of 13. The change of ownership concept was not a part of the prior one. So it would appear to me that it had a different character. It had a more attractive feature. Phil Watson commented on the freeze feature after the election. He was not the assessor anymore of the great county of Los Angeles; he had his heart troubles brought about by too many silly little gimmicks. But he commented, I think correctly, that the freeze was the secret item that got Proposition 13 through. The people didn't talk about it very much, but they must have felt, well, I have this value for the next years, I can plan on how much tax I'm going to pay on my house. And that was a very compelling gimmick at that time.

PUTNAM: Yes. Plus the fact there was a big treasury surplus.

NEVINS: Well, all those things played a role, but the individual voter wasn't so aware of that, and I think maybe other people should have been aware of it. Let me go around the background of 13 a little bit. A lot of people sort of think they they know what caused 13. First, I don't think people really did know. I don't even think Jarvis knew what got it through. But I think

a lot of things came together at one time, and, unfortunately, one of them was the fact that local government's budgeting was defective. And they got on to this. Now, I'm talking about cities and counties and special districts. They are the "they" I'm talking about. They got into the habit of getting a statutory rate, like general law city, where you live has a 1 percent rate. Well, they just levied the 1 percent rate. The assessor would come through and, we'll say, triple the assessment in Placentia, which probably happened a couple of times. So the city government just got triple the money. They didn't say, "Well, we're going to have a spending pattern that's going to go up so-and-so. Here, we got this triple money." So they took it. That certainly happened with school districts. The school superintendent said, "Well, we have a right to the money." I literally heard this statement in the great county of Orange, a meeting called by the County Superintendent of Education, the father of a friend of mine [Mrs. Marjorie Simmons Wyatt]. And we had a number of superintendents there, about thirteen of them, as I remember. And we went over what reappraising was, and what were the politics of it, and all that kind of stuff. But the gist of it was, one of them said, "Well, we have a right to the money." I think that kind of attitude was very bad. And it had happened at the board of supervisors, it happened at every kind of spending body, so that if the Palos Verdes area got a threefold

increase in assessments, they got the threefold increase in taxes.

PUTNAM: Yes.

NEVINS: Well, let's use Palos Verdes [a very upscale Los Angeles County suburban city] as an example. This is one of these places in California where people are overspent on their homes. [They have bought more of a place to live than they could afford, so they didn't have extra cash.]\* So the taxes, this was money they had to spend, that they got out of their money they'd spend on something else, right?

PUTNAM: Certainly.

NEVINS: So they went 85 percent for Proposition 13. Even though they lost every speck of local autonomy that they had. But that was literally the only source of revenue they had to amount to anything. There was very little business in Palos Verdes.

PUTNAM: That's right, it's a residential community.

NEVINS: Very small business area. Anyway, I think, that element is understated in people's analysis of the thing. I think the proponents of property taxes at that time were not tooting their horn enough. There were some studies at the academic level, a man named Henry Aaron was one of them, who had shown that, well, it isn't as really regressive a tax as everybody

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\* Mr. Nevins added the preceding bracketed material during a review of the draft transcript.

said. And then people hadn't really made the studies that, of course, have been made in subsequent years about what is the real net effect to a taxpayer of paying a property tax and deducting a bunch of it from his federal income tax.

PUTNAM: Yes.

NEVINS: And this is one of the factors that we had to contend with. Then the concept that, well, a lot of the money spent on property taxes actually improved the community. It wasn't just a dead loss. People didn't think about that at all. You know, values were going up for a number of reasons besides inflation. One is that the quality of life had been improved substantially in California. I don't know how long you've lived in Placentia, but I can tell you that at one time it essentially was just a packinghouse.

PUTNAM: Certainly.

NEVINS: And it isn't that anymore. Right?

PUTNAM: That's right.

NEVINS: Well, people just didn't want to see that. Then the concept of capital gains, I mean the rich certainly knew what capital gains were in the fifties, but the average person was just not aware of the concept that capital gain was an improvement in net worth. You'd tell people, your net worth went up \$60,000, and they said, "Well, I can't eat it." I said, "Well, you could sell it, or borrow against it." But they started doing that after that, as you may remember.

PUTNAM: Yes. Did you say you opposed Proposition 13? How?

NEVINS: Well, the organizations opposing it were very poorly organized, and Jerry Brown was involved with one of them. And he was one of these people who always wanted to have everything in his hand. And he worked with Pope, who was a newly appointed assessor in the great county of Los Angeles. They had that clandestine meeting where they wanted to freeze the assessments.

PUTNAM: Oh?

NEVINS: Well, this occurred about ten days before the election. This was one of those things that put the election over, actually. When the people heard about it, why, they realized the government leaders were giving them the business. Well, we'll show them, was their attitude.

PUTNAM: That's right. I remember.

NEVINS: Well, I was involved in trying to get a writ of mandamus against Pope, to prevent him from freezing . . .

PUTNAM: From freezing the assessment, until after the election?

NEVINS: He already had these values, he knew what they were, he already had the roll prepared, and we had a similar suit against Watson.

PUTNAM: [Philip] Watson?

NEVINS: Watson. About two or three years before, I've forgotten just how long, Watson had refused to put some stuff on the [assessment] roll, and he tried to reverse it through his lawyer. I remember I had to go down and tell the county counsel that there was only one man who could sign the roll,

that's the assessor. He can't give an order through his lawyer to the staff, or anybody. He can give the order, no sweat, he doesn't have to be there, he can sign it and give them the order, but he can't have the lawyer write a letter saying this is the order. This won't go.

PUTNAM: Is that what Watson was trying to do?

NEVINS: That's what he was trying to do, and I had to tell the county counsel that. I was very surprised about that, that I had to. I just said, "That's the way it is, buddy. Don't worry about it." [Laughter]

PUTNAM: Well, now since it [Proposition 13] passed, what position did it leave the board in?

NEVINS: Well, the board played a major role in interpreting the various provisions, particularly the new construction. There was very little legislative activity in that area. There was a lot of legislative activity on change of ownership, saying such and such is not a change of ownership, and the courts haven't really said whether the legislature exceeded its power. And, of course, who's going to bring the suit up, that the legislature has exceeded the power. So we have a situation where the legislature has acted in interpreting the constitution way beyond what their normal power--they've created an exemption that isn't in the law by saying such and such isn't a change of ownership. Somewhere along the line there will be a quarrel by some taxpayer with an assessor, and

this issue will get squarely before the courts. It hasn't gotten there yet. The one problem is that we have gone so long now without it being challenged that it's going to be hard for the courts to say, "Well, the legislature never did have the power to say that that wasn't a change of ownership, because it is a change of ownership." And if it is, then there should be the reassessment.

PUTNAM: Can the board decree that?

NEVINS: No. Because at the very same time there was Proposition 5 on the ballot that said if a statute has been made and passed by the legislature, an administering agency has to agree to that, and act as if it is constitutional, and it's up to a court of appeals to decide it's unconstitutional.

PUTNAM: I see.

NEVINS: But what's happened, apparently, in a lot of other fields besides taxation, according to the people I've talked to in the legislature, there is just a mass of bills out there that have become law that aren't constitutional. We were talking about interpretation?

PUTNAM: Yes.

NEVINS: On new construction, by regulation, we pretty much defined most of that, and have been sustained by the court. Pope took us to court on one issue on that, and we defeated him decisively.

PUTNAM: On new construction?

NEVINS: Well, he took the position that. . . . Well, let's use a big

office building, because that's what we're talking about here. A big office building would be ready for occupancy when, say, they only have one tenant in it. So they would take five years for it to get tenants. In the meantime, rents have gone up and all that stuff. So the building was more valuable at the end of the five years than it was at the beginning; therefore, he should say that the new construction value wasn't there until it was fully occupied. We took the position, and the court sustained us, that when the building was opened and ready for a thing, that was the base year for your value. And, of course, the tenants' improvements were on the roll separately, so that isn't an issue for the courts. In other words, just because the rents went up over a period of time doesn't make the building more valuable in terms of the concepts of Proposition 13. The base year freeze is what we call it.

PUTNAM: Then Pope wanted to appraise it . . .

NEVINS: He wanted to get the higher value, because it was worth about \$100 million in revenue for the county of Los Angeles. We said, "Well, that's not what they intended in Proposition 13." We were sustained.

PUTNAM: How do you do that? Do you issue an order to the assessor to cease and desist?

NEVINS: Well, we went to court on that one. I've forgotten just how we got in on that one. I think the taxpayers sued, they took Pope on, and we joined the taxpayers against Pope on that particular

one. We can take a direct action against assessors, and we've done that.

PUTNAM: You can?

NEVINS: This one that we started against Watson on the freeze, prior to 13, was in that power.

PUTNAM: How do you do that?

NEVINS: You just go to court and get a writ of mandamus against them.

PUTNAM: Oh, you go to court. I see. Are there soft spots in the law that interfere sometimes with your doing functions of that sort?

NEVINS: Well, when you talk about law, you've got to figure that you want to get something done, and you've got to have more than just a bare law. Procedurally, this is a good thing to have. That's the first thing. The second thing is, you know, is there a body of people out there that are more or less on your side. It's awfully hard to go out and try to do something where there is nobody there. That just doesn't fly. And you really want to try to go through the persuasive group first. The courts aren't very friendly to people who just start cold, especially governmental bodies. Well, what did you do to get the assessors on board? So we have an elaborate system when working with the assessors. We have the so-called letters to the assessors. We've written like 200 of them now on Proposition 13 alone.

PUTNAM: Really.

NEVINS: Since 13 passed, we've written hundreds of letters of

instruction. We were really brought down onto a high degree after 13. We've done it before, but not to the degree we've done it since 13. Then we have training meetings, and we have an annual conference where we talk about what we're doing and why we're doing it. Our staff is working with the assessors' staffs oftentimes, and we're educating them, you know. So you've got a sort of thrust of what you're trying to do. Going through the assessors' organizations and through their own staff, that carries a lot of weight. That tends to be what gets done. So you don't have any sort of single overt activity to get things done in this kind of government. I don't think in any kind of government that it is a lot different from that, really.

PUTNAM: I guess not.

NEVINS: The law buttresses what you're doing, but you're moving ahead on some policy position. Now, the biggest issue that the board had, where we had to start cold, was on A.B. 80. [Prior to A.B. 80, the Board of Equalization had had very little legislative direction on assessing property. There had been legislative direction on what the roll should contain on exemptions--particularly the charitable exemption--on timing of various valuation dates and on some valuation and exemption of personal property over which the legislature had control by a specific provision in the state constitution. There was little legislative explanation of the meaning of the constitution with

respect to real property. A.B. 80 radically changed previous legislative practice.]\* I don't know if I mentioned that one. That was back in 1966. There, the assessors' scandal<sup>1</sup> put the situation in sort of black and white that there should be some improvements in assessing in California. And there was a clever young man, David Doerr, that was the staff person on the assembly Revenue and Taxation Committee. He drafted this 120-part bill, on which he got a lot of help from our staff people. And the legislature enacted about 80 of those 120 sections. I think it was July of 1966.

PUTNAM: In 1966.

NEVINS: Which was at the time the trials for the assessors were underway, particularly in San Francisco. And Governor Pat Brown was very cognizant that he had to do something as governor to reflect that he wasn't on the side of sin. So this bill had a different language, and somebody came along and got Pat. Well, the board did have a lot to do there. The assessors weren't very enthusiastic about it. But the scandal weakened them morally. The legislature was anxious that we find this property tax value, and did enroll it, so they would not be burdened with raising money at the state level.

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\* Mr. Nevins added the preceding bracketed material during a review of the draft transcript.

1. The assessors' scandal of 1965-66 is discussed in detail below, pp. 235-36.

- PUTNAM: Yes. Additional state revenues.
- NEVINS: And you recall schools were growing rapidly at that time.
- PUTNAM: Yes, certainly.
- NEVINS: And so, therefore, there was a need for money.
- PUTNAM: Yes.
- NEVINS: So there were forces on our side, which didn't stay forever. But they helped us. But I would say that we were more naked in the use of force and stuff under that than we were, certainly, on 13.
- PUTNAM: What did A.B. 80 empower you to do that you previously could not?
- NEVINS: Well, we always had the right to investigate the assessors' work. But we set up a whole unit of about fifty people. That's all they did year in and year out.
- PUTNAM: Is oversee the assessment procedure?
- NEVINS: To go out and make actual appraisals of properties in the county. That was the Division of Intercounty Equalization [DIE].
- PUTNAM: They would make appraisals and then compare them with the tax assessors appraisals?
- NEVINS: With what the assessor does. Then, there was also a very compelling mechanism to measure what work they were doing. And this procedure, after A.B. 80, became a very big thing. It had been there before, but after A.B. 80, it was a lot bigger.
- PUTNAM: I see. And you still had them [DIE]?
- NEVINS: Well, after Prop. 13 there is no measuring of assessment

level. We're improving. This is the first year [1986] we've been doing it since [1978]. After 13 we stopped measuring assessment level completely, and the Assessment Standard Division was reduced in size. That's the one that, you know, aids and helps assessors. The DIE was completely abolished. That one was just abolished. And we don't have anything like that now. What's happening this year--now we're talking about 1986-87--the legislature wants us to go out and start something like that again, and they've given us ten positions. And we are getting into position to actually start overtly looking at assessors.

PUTNAM: Start equalizing once more.

NEVINS: Well, we are going to be doing something more like equalization, making actual appraisals and stuff like that, which we didn't really do during the interval [since Proposition 13]. We did a little bit, but nothing like we'd done before.

PUTNAM: So that in reality, after 13 was passed, you really weren't engaged in tax equalization.

NEVINS: Before 13 we were.

PUTNAM: But since?

NEVINS: But since, all we've done, really, is help the assessors interpret 13.

PUTNAM: I see.

NEVINS: And because of the quantity of tax was so greatly reduced, all

the administrative side was reduced, to keep the cost down, you know. You can't measure assessment level under 13, because it isn't reappraised every year the way it was before. So what you have to do now is see whether the assessors are carrying out the existing law and regulations. We are doing that now in a bigger way this year than we have been before.

PUTNAM: Did the workload of the board actually go down as a result?

NEVINS: Yes, yes, of course.

PUTNAM: Did you lay off people?

NEVINS: Yes. We laid off about 100.

PUTNAM: And had a lower budget, and things of that sort?

NEVINS: Oh yes, for property taxes. Oh, yes, we certainly did. We abolished this DIE division completely, which had about sixty, seventy people. Then we took about thirty people out of the division of assessment standards. One high level job was just abolished, and he was moved over into another division where there was a vacancy.

PUTNAM: But now the pendulum is swinging back in the other direction.

NEVINS: We are not holding our breath. I'm not there anymore, but the staff is surprised that we got these positions this year, in a budget that, you know, was rather tight, and that we seem to have legislative authority to go ahead in this area. And this is the first time. I can't tell you what the significance of it will be at this time.

PUTNAM: But Prop. 13 was kind of devastating in its effects.

NEVINS: Well, it had two prongs. One is, it reduced the capability of local government to raise its own money in a discretionary way, and it just took care of that, bang!

PUTNAM: Yes.

NEVINS: It then made the state's money that much more important. We were as tax collectors in the sales, gasoline, and all of that.

PUTNAM: Yes.

NEVINS: We were that much more important.

PUTNAM: Yes.

NEVINS: So that part of the total state tax really became more important to local people. At the same time, of course, we had these surpluses for, you know, three or four years there. The legislature started passing all these exemptions under the law, which not only made it, I think, unfair, but complicated to administer. We believe that they have stopped, that there is not going to be much of that. There was one bad one this last year.

PUTNAM: What was that?

NEVINS: This had to do with the printing industry. The bill was designed, in the first instance, to exempt catalogs from the sales tax. In California we say that you use the catalog, when you put it in the mail and mail it free to somebody. So if you put it in the mail in California that's a taxable usage. OK. So the intent of the legislation was to exempt that kind of transaction for catalogs. But the way it was done it took all

kinds of advertising that is distributed and given free, and made it exempt. Well, there are some real problems with this. One is, what do you do with church circulars, and stuff like that? Are they still taxable? We're going to be working on that in the next few months.

PUTNAM: If you were continuing on the board, do you have an agenda of changes you would like to see made?

NEVINS: Well, I think the thing that I was working on right up to the day I left was staff improvement. I think that we've had two governors now, and really, almost three, who really didn't put much weight on training for supervisors and managers. Our state programs get more complicated, and they are very complicated. You need to have highly skilled supervisors and managers. And I think that if you're going to have a \$120 million budget, or whatever we've got right now, \$130 million, or whatever it is, you simply can't have all your managers come up from the bottom, which is where they all come from, without having adequate outside training.

PUTNAM: Yes.

NEVINS: Even inside training. We let training just go to pieces. Everybody would have these pleas, we'll save money, so that was one of the areas where we saved. Well, I think this was very important. I believe that our training program will go ahead. It's going to be hard for the board members not to do it, because if you have poorly trained staff, then it directly makes the board members look bad.

PUTNAM: Yes, definitely.

NEVINS: The function of training is to improve the effectiveness of the board, improve their ability to deal with the public and all that sort of thing. And, you know, we go into an office and see everybody working, but you don't want to go in and see everybody lying around smoking cigarettes. [Laughter] Well, so that's what you're aiming at. And if you have good supervision, and good management, and you have good morale, everybody feels pleased.

PUTNAM: Yes.

NEVINS: We've been pretty good at that, but we were getting awfully thin.

PUTNAM: Really?

NEVINS: I mean, like right now the new board members want to replace a lot of top men in the field. Well, the problem is, who are you going to replace them with. There isn't anybody. And this is a management failure that we have had that I have been trying to deal with.

PUTNAM: You mean you won't be able to recruit replacements?

NEVINS: Well, you know, there is no place to recruit tax administrators, excepting from our organization.

PUTNAM: I see.

NEVINS: You might get a few from the Franchise Tax Board. But, you know, this is an area where you have to make your own.

PUTNAM: Generate your own expertise.

NEVINS: You generate your own. And we have the civil service system that makes it very difficult to bring people in from the outside. I mean, it's been done, but it's very, very difficult. So what you have to do is make your own. And you've got to spend the time and money to do it. And there are plenty of facilities out there. There's junior colleges and state colleges, and universities all over the place, and you can't throw that one at you. And we do have programs to compensate people for taking these courses. What we just have to do is get them better organized, and more direction in those things, and that we will compensate you for doing so and so.

PUTNAM: I see.

NEVINS: And so I think that's one of the most important programs that the board has to go into in the next few years. The other one that I think is very important, is our public relations has never been as active as I have felt it should have been. One of the things you want to do in any tax administering program is to make sure the people, your clients, your taxpayers, know what the law is and feel that it's easy to find out that we're there to help them.

PUTNAM: Yes.

NEVINS: Well, we've done some of that. But I think we could improve it. And I hope that the new board members get into that mode, and use that as a thing that helps them politically as individuals, and it helps the state by having less cost, and

preventing people from making silly mistakes, and then come out and have to owe us \$50,000 four years later. I mean, that's kind of crazy.

PUTNAM: Yes. You think the functions of the board are really generally misunderstood by the public?

NEVINS: Well, no, I don't want to say that. But the tax law is pretty complicated. The legislature doesn't pass a bill and make it simple. They pass it to take care of a particular interest group.

PUTNAM: Yes.

NEVINS: Well, in doing that it always makes the law a little more complicated. Because if you're not quite in that interest group, like, an easy one to talk about is the sound business. Making records, you know, the kind that run around on platters, and your daughters make too much noise in their bedroom. [Laughter] That's a major industry in California. But the tax laws on that industry versus those on motion pictures are different. Yet, the very same people are doing the work. I mean, a sound recording studio is also often used to dub in the sound for a motion picture, or it's used to make the sound for a TV show. And the same people are doing it in the same way, yet, the law is different. And we have to try to explain to these poor people what the hell the law is.

PUTNAM: Yes.

NEVINS: So right now I hope that this is the year something will happen in that area.

PUTNAM: Do you think it should be more uniform in that respect?

NEVINS: Yes, I think it should. Now, we may have to give up a little revenue to do it. But I think that a person running a sound stage shouldn't have to have a Ph.D. in sales tax in order to file his returns properly.

PUTNAM: Right.

NEVINS: I think it's got to be made so he can understand it. And it is not that way right now. I'm just picking on that.

PUTNAM: And there are many other complexities?

NEVINS: There are other areas of sales tax laws, software I don't think is as complicated. One of the board members thinks it is.

PUTNAM: Computer software?

NEVINS: Computer software. Software is a very pervasive thing in our society today. The people who make it don't realize they are making a tool. They think they are making some intellectual product. And it's cruel, hard-hearted folks like me and the courts that point out that they are making an instrument that drives a machine. I mean, software, you can't read it. It drives a machine. And this is the key thing about it. It's like a gear for a lathe. It's like any other tool.

PUTNAM: And taxed accordingly?

NEVINS: And taxed accordingly in this state.

PUTNAM: I see. Now, you've been on the board during the administration of four different governors?

NEVINS: Yes. It seems like more.

PUTNAM: Two Browns, Reagan, and [George] Deukmejian. Which of the four do you find the most knowledgeable about your activities?

NEVINS: Well, no question, Pat Brown.

PUTNAM: Pat Brown?

NEVINS: He was infinitely more knowledgeable. He liked state government, he liked the state. He saw it as his place to do things. And this was his playground, so to speak. I think he had a few presidential ambitions here and there, but they weren't very well carried forward. And he lavished a lot of attention on state government. Ronald obviously thought it was a stepping stone to something else and really brought in people who simply didn't know what made the world go 'round. He did have Weinberger for awhile, which was fortunate.

PUTNAM: Yes.

NEVINS: Then, Jerry just fed upon the fruits of his predecessors and didn't add anything to the state at all, and will probably go down in history as one of the worst governors California ever had.

PUTNAM: Quite possibly.

NEVINS: And it's just too bad, because he had lots of opportunity, he had a lot of good will, which could have been transformed into, you know, effective government. He didn't have to spend a lot of money, or anything, but he just chose not to go that route. He made a lot of disastrous mistakes, which the last election demonstrated, or we would have won. Deukmejian is very

tentative on everything he does. I think he probably, personally, recognizes that something ought to be done, but Republicans are into government bashing.

PUTNAM: Yes.

NEVINS: He doesn't want to take on his own party too much by engaging in something that most people in his party think is an abomination, namely the government. And so he hasn't done much. I've tried to get him and his staff going on training for state people. Because, I mean, our training supervisors and managers is just the same as anybody else, so why the hell should we go out and man our own program. Why shouldn't the state have it for everybody?

PUTNAM: Yes.

NEVINS: Well, we can't get anywhere on that. I don't know why.

PUTNAM: Wouldn't he consider that somewhat demeaning for him?

NEVINS: Well, his people are not interested in it, and are very blunt about it.

PUTNAM: Really?

NEVINS: They don't kid you about it. They tell you in easy to understand English that that's not something they are going to be bothered with, period.

PUTNAM: Deukmejian, next to Pat Brown, is probably the most experienced in state politics.

NEVINS: [Deukmejian did not have anywhere near the governmental experience of [Governor Earl] Warren, who had been a district

attorney and attorney general. Goodwin Knight had been lieutenant governor and, prior to that, a superior court judge. While Deukmejian had been a state senator and assemblyman, these were part-time jobs. Attorney general was his first job where he was responsible for a program.]\* And he wasn't a Republican in the mold of Warren, or Goodie Knight.

PUTNAM: No.

NEVINS: It's more in the mold of Ronald Reagan, although not really. But he said he came in at a period when the so-called conservatives were taking over the Republican party, and one of the tenets of conservatism is that the government is bad. Therefore, you don't spend a lot of time improving the civil service system. You know, you only do the very minimum you need to do. That's about the way it's been. Somehow these people don't realize we have a big organization, that it has the same kind of problems as General Motors and people like that have. And you have to tend to it, you have to work at it. And if you don't do that, you will get like General Motors, and we don't want that. [Laughter] I don't think we do.

PUTNAM: Yes.

NEVINS: I think one of the things that has helped the board over the

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\* Mr. Nevins added the preceding bracketed material during a review of the draft transcript.

years is that we haven't had a lot of friends in the legislature. We've had to make do with what we've had. And one thing that we've always been allowed to have a reasonable quantity of is data processing. We've been with data processing in one form or another since 1935.

PUTNAM: Really?

NEVINS: Remember they had the air-operated machines? Do you remember the little fingers that made a vacuum and the card went by?

PUTNAM: Oh, yes.

NEVINS: Well, we had sorters and all that sort of equipment at the beginning of the thirties. We had the early wired machines in the early sixties, and we had the regular thing, we've just got our latest one this year, a Burroughs machine. I wasn't wild about that, but that's what we got.

PUTNAM: Do you convert all your records over to the new system each time?

NEVINS: Well, we started out with the first modern machines, which were RCA [Radio Corporation of America], which became Sperry. And we made a change from whatever we had before. Remember those card-reading machines?

PUTNAM: Yes. IBM [International Business Machines] cards.

NEVINS: Well, Hollerith cards. If you're a historian, you might as well get it right. Hollerith cards, that's the right name. Hollerith was the name of the man who invented them in the Census Bureau of Washington, D.C. That's what they were

originally used for, was to sort the information for the census.

PUTNAM: How did IBM get credit for it?

NEVINS: They just sold them. They needed them for their machines. But that's what they are, Hollerith cards. We went from card-reading to tape-reading machines. That's about the time programming came in.

PUTNAM: Yes.

NEVINS: Before that, you remember you had hardware, but you really didn't have programs. I don't know whether you've been into that.

PUTNAM: Fortran came.

NEVINS: Well, we don't use Fortran, we use the business language . . .

PUTNAM: Basic?

NEVINS: No. It's a basic language [COBOL] used in business. That's the one we use. There are other languages today that you could use that I would like to see them use, more advanced ones. That's the one we use the most, the regular, ordinary business that you get the right syllables together, that's what it says when you read them. And, anyway, that's what we use. And we have about thirty-five programmers working full time keeping our existing programs up, and making new ones. Of course, every time the legislature does something crazy, then it takes a change of program. We are putting in new machines. We're on on-line equipment. And you obviously know what your tax status

is, which everybody's into now. That took a lot of doing for us to get into that. And we've got an awful lot of money invested in our data processing. And that's what kept our staff down over the years. From the 2,400 authorized persons when I first came in 1959, to the 2,800 or 2,900 we have now.

PUTNAM: You have 2,900 employees?

NEVINS: Yes. So it's the efficiency that we've got by using data processing. You can measure it. It keeps us going.

PUTNAM: You said earlier the board has never had a close working relationship with the legislature.

NEVINS: Well, when the sales tax act was passed the name of the act was two board members. . . .

PUTNAM: Oh, Riley-Stewart.

NEVINS: Riley-Stewart. Those are board members.

PUTNAM: Yes.

NEVINS: I think [Ray L.] Riley was the controller and [Fred] Stewart was a member of the board from Oakland. Fred Stewart, he's the one that carried the gun.

PUTNAM: He did?

NEVINS: Yes. And they were very close and did little things for each other. We really haven't had a very close relationship with the legislature since the early sixties. I had a pretty good relationship in the early sixties, but we haven't had much since.

PUTNAM: Why is that?

- NEVINS: Well, the legislature has become very independent. You remember in the fifties, the legislature was very dependent on the administrating departments for information. They didn't have any separate autonomous source. They now have that.
- PUTNAM: They have their own staffs.
- NEVINS: They have their own staffs. Jesse Unruh was the one that was responsible for that.
- PUTNAM: Yes.
- NEVINS: He came as speaker in 1963?
- PUTNAM: And Unruh did a lot to upgrade the legislature.
- NEVINS: Before that the staffs of the legislative committees were pretty much political types who would go off and work in campaigns.
- PUTNAM: Yes.
- NEVINS: And [David R.] Dave Doerr's predecessor [as consultant for the Assembly Revenue and Taxation Committee], [Steven E.] Steve Smith, did just that. He went out and worked in somebody's campaign for Congress. And then he was replaced by a professional, Dave Doerr, who's been there ever since. Most of the committees are like that now.
- PUTNAM: So that's lessened the dependence of the legislature upon you for information.
- NEVINS: And lobbyists put them in a more independent, where they should have been, anyway. I'm not one of these ones that gets all wired up about legislative staff.

PUTNAM: They need it.

NEVINS: They need it. And I think that the public benefits.

PUTNAM: Yes.

NEVINS: That doesn't mean that every legislator uses every bit of staff he has effectively, because that's not true. But the people have a right to have an independent legislature. And to have it dependent on other places for information is defeating the purpose of the legislature.

PUTNAM: Yes. But at the same time that's, as you were saying, kind of made for a more tenuous relationship between the board and the legislature. Is that good?

NEVINS: I'd say this, that our staff, and the board's legislative staff, always had very good relations with legislative staff. I've known Dave Doerr since day one. We helped him a lot in the beginning, my deputy and I did. So we've known him very well, but in terms of being able to go over and say I'd like a bill passed, or going over and killing a bill, I haven't been there for an awfully long time, and nobody on the board has either.

PUTNAM: You used to do that, right?

NEVINS: We were pretty effective at that, I'd say, in the fifties and early sixties. But usually what happened is that if we came out against the bill, usually the Department of Finance and the governor would, for all the same reasons, like an exemption bill. And the bill usually died. That was the end of it. Well, that hasn't happened for a long time.

PUTNAM: It hasn't?

NEVINS: It has not happened. Jerry Brown rarely vetoed exemption bills. He vetoed a few, but not very many. Deukmejian has vetoed more of them, but he has very little contact with us about the bills. I mean, he gets our letter that we're required to send, but he doesn't spend much time asking us about whether he ought to get in there and oppose the bill way downstream. He lets them go all the way up, and then he vetoes some and signs some.

PUTNAM: You are required to send a letter to the governor?

NEVINS: A department nowadays, for every bill that goes through, if the department is affected by the bill it is required to send the governor a letter about what it's going to do, and do you have a position on it. A governor's departments usually don't have a position, but they certainly will tell the governor what the bill does.

PUTNAM: Yes.

NEVINS: About cost, you know, what are the kind of problems, who were the proponents of it, and all that stuff.

PUTNAM: How do you track every bit of legislation that you know about.

NEVINS: Well, you have a staff. We start out with about three people. And then as the legislature gets going it increases to about six. And they go to all the committee meetings, and read all the bills, and write on the ones that have any bearing on the board. And that's three or four hundred a year. They write up

analyses, and they give the analysis to the authors, and the whole banana. It's quite elaborate. It's all in the public record. A legislator nowadays has quite a substantial record in the frame of who is for the bill, what the department's position is, what are the problems now. If a legislator really wants to get a bill out he usually gets all the quirks out of it. If he has some particular goal he says what the goal is, and then he doesn't spend too much time on how you get there.

PUTNAM: He has a drafting service that drafts it.

NEVINS: Well, he does that, and they depend on lobbyists and departments to do that. If the department can be talked into it, why, that helps it. Like I told you about A.B. 80.

PUTNAM: Yes.

NEVINS: We drafted a lot of that.

PUTNAM: You drafted a lot of that, but you were asked to do so by the legislature.

NEVINS: Well, yes. The legislature and our staff people get together. That's rather a common thing. And they knew that there was a demand for this kind of bill, and what some of the things were that needed doing. Some of these that had been kicking around for years were put into the bill, plus a lot of new ideas, and by this time Doerr had a lot of ideas about things that ought to go in. By 1966 he'd been on the job three years and he'd gotten to dislike assessors because they inadvertently had given him a hard time. They didn't realize who he was. And they didn't realize he could bite.

PUTNAM: What was his official position?

NEVINS: He was a consultant, he always calls himself. But he's the chairman of the staff. Let me just say on this lobbying, I bet you'll find your state college organization in Long Beach has an organization very similar to what we have. They all have the same thing. They all have a staff person from the agency, and he's got people that help him. And they draw upon the people in the organization that are able to work on these projects. Like our management analysis, our lawyers, our people who administer the tax, they are asked, "Well, how can you handle this thing? What kind of problems? Do we call up people from other states?" If it's something that some other state has, then we try to find out what they have. If the Feds have ever been in it we try to get it out of the IRS. It's very hard to get information from them. But, you know, we're members of tax organizations, and we talk to people in that. We try to find out how these things have been done other places, if they've been done. And if we have to use staff, why, then we do it, and they consult with us.

PUTNAM: Yes. Have you found changes, though, in the degree of access and interaction with the legislature?

NEVINS: Well, we don't interrelate, compared to what we had in 1959, when I first came in. You know, I really knew a lot of the legislators. I'd campaigned with them, they were all new. We all thought we were on a crusade together.

PUTNAM: Yes, sure.

NEVINS: Well, we haven't had anything like that for a very long time. And I don't think we'll ever have that again. The chairman of the [Assembly] Revenue and Tax[ation] Committee, [Thomas M.] Tom Hannigan, was very friendly to the board this last year or so. I don't think he was that friendly to begin with, but he went out of his way to try to help us this year, then he got a different job. But that's the first sign of anything like we had back in the fifties, that I've had in a long time. And he didn't like one of the other board members. He liked me, but he didn't like one of the others, who is still there.

PUTNAM: Which one is that?

NEVINS: Collis.

PUTNAM: Oh, Conway Collis?

NEVINS: Yes.

PUTNAM: Does partisanship have much of anything to do with this?

NEVINS: Well, don't forget we haven't had the Republicans in charge of any of the committees for an awfully long time.

PUTNAM: Right.

NEVINS: When [Robert] Monagan was the speaker, we never had any particular problems. He was more of a moderate Republican. He wasn't one of these conservatives. So we really don't have a . . . Customarily, the leadership of the legislature gives the Republicans bills to carry so that they won't be idiots. And once that happens, the bill isn't a partisan bill anymore.

[End Tape 1, Side B]

[Begin Tape 2, Side A]

PUTNAM: The last question I asked you, Mr. Nevins, when we came to the end of the tape: we were discussing your relationships with other major public figures other than governors and so forth, and I had just raised the question of Willie Brown and his relationship with the board, and you didn't get a chance to answer.

NEVINS: Of course, obviously I've known Willie [L.] Brown, [Jr.] a very long time. He was a protege of Phil Burton. Phil brought him up to Sacramento when he was an assemblyman, and I guess gave him a job or something in the legislature. And I met Willie way back, and then he got, of course, elected to the assembly.

PUTNAM: Yes.

NEVINS: So I've known him, and he's known me for all the time that he's been in public office [since 1965]. We've never been particularly close. Once he got up to the higher level of legislative jobs, like Ways and Means [Committee] chairman, and so on, he lost interest in the board. And we were sort of friends and all that, but I never had any real relationship with him. I never had any legislation carried by him for me or the board that was of great importance to either of us. So I think the answer is in modern times, particularly after he became speaker, that we just had the minimal relationship, and that's all.

PUTNAM: I see. He had relatively little interest in the legislative questions that affected the board?

NEVINS: Yes. I can't recall any major tax legislation that he played a major role in, after he was speaker. Of course, when he was chairman of the Assembly Revenue and Taxation Committee, he naturally had to become interested in the board's bills. That was an era when there was major tax legislation. I just don't remember that he was a part of it. He may have been, but I don't know. I wasn't involved with him.

PUTNAM: I see. What about his predecessor, Leo McCarthy?

NEVINS: Well, I've always known him slightly. About the same length of time as Willie Brown. He came from a different faction of San Francisco city politics, and was close to a state senator who died, who was one of these athletic guys and died on the squash court. But I can't remember what his name was at this time. And McCarthy came up that route, which was not the Phil Burton route.

PUTNAM: Yes.

NEVINS: I've known him slightly. The only time I had a hard time with him, was that he was a very strong advocate of this business of reducing the amount of regulations that state departments made, and he became involved in the legislation that created the Office of Administrative Law. This is one of his final things as speaker, or, I don't think he was speaker before he became lieutenant governor. It seems to me he resigned the speakership . . .

PUTNAM: Well, there was a big conflict about it.

NEVINS: . . . and ran for lieutenant governor. But he, of course, still was a legislator.

PUTNAM: Yes.

NEVINS: We at the board tried to get some changes so that we could deal with our regulations, which we felt were not the ones that he was primarily interested in. We believed at the board that our regulations were informative. There was an effort on our part to try to tell a taxpayer what his responsibilities were under the tax laws. Combining the state constitution, federal constitution, wherever it played, the statutes, our past interpretation based on practice, and, finally, court decisions, all were mixed together to try to direct the taxpayer on what to do. McCarthy was not interested in helping us, and we've had a lot of difficulty with the Office of Administrative Law.

PUTNAM: Really?

NEVINS: And I believe this year we're going to make another try. We've made a number of tries that somehow get exempted from the Office of Administrative Law.

PUTNAM: Why is that?

NEVINS: Well, first it takes forever to get these regulations out now, and so you go for a year or two where there's no regulation on, say, a court decision, some new statutory law. Often statutory law flows from a court decision. So you have the law as it existed. The court changes it by interpretation, the

legislature changes it again by statute, and there's the regulation, the original regulation, in place, leaving the taxpayer up in the air. So he has to know a lot, and we think that's inappropriate.

PUTNAM: Does that leave the board members up in the air, too?

NEVINS: No, we're not up in the air. We know what we're going to do all the time. And that's something that we ought to be able to tell the taxpayer through regulations what we're going to do.

PUTNAM: Yes.

NEVINS: I mean, for instance, one of the issues that came up were these so-called safe harbor leases. You remember that Mr. Reagan was president and put through a tax reform that you could sell certain tax rights in relation to depreciation and investment tax credits on personal property. Well, personal property is subject to the sales tax laws. So the questions were, were the sale of those rights subject to our California sales tax? And the board informally decided that they were taxable, and instructed the staff to set them up, which we had done. And we, finally--this is four or five years later--started to have one of the last hearings I had as a board member, a tax case involving just that--safe harbor leases, whether they're taxable. And I believed they were taxable. And Mr. [William M.] Bennett, who was on the board, and is on the board now, agreed with me. He seemed to be a little weak on the subject at the last board meeting, but that was the way it was.

PUTNAM: Bennett, Mr. Bennett.

NEVINS: Bill Bennett, yes. He's one of the board members from northern California.

PUTNAM: Yes.

NEVINS: Now the First District, I think it was the Third District, during most of my time.

PUTNAM: Did you have a disagreement on the board regarding that subject?

NEVINS: Yes, we did. As I recall [Ernest J.] Ernie Dronenburg, [Jr.] was on the board at that time, a Republican, and he wanted to exempt those transactions. He wants to exempt everything that is involved with business.

PUTNAM: Is that right? He's very pro-business.

NEVINS: He's very pro-business. Everything that comes along where there's any interpretation, he wants it to lean toward business. And he does. But I believe, I don't remember just what the combination of board members were that decided that safe harbor leases were subject to sales tax, but it was certainly Nevins and Bennett, and I believe it was Walter Harvey sitting for [Kenneth] Cory as the state controller.

PUTNAM: Do you ever have a split decision? I know there's five members altogether.

NEVINS: We certainly do. We've had the Standard Oil case that involved the interpretation of whether the royalties from the oil in Saudi Arabia were subject to apportionment, or subject to taxation, on the basis of the fact that they were dividends,

and therefore, were taxed at the headquarters of the company, which in the case of Chevron, or Standard Oil of California, is San Francisco. I was a stockholder; therefore, I couldn't vote on the issue. And the issue was 2 to 2 for quite a long time, it was a couple of years. And, finally, there was an election, and I don't remember why the election made a difference, but it did, and we voted in favor of Chevron.

PUTNAM: In favor of Chevron, which means . . .

NEVINS: Which means we apportioned the dividends, which is a complicated issue in their case.

PUTNAM: Yes.

NEVINS: This was the money they received for their rights to the oil in Saudi Arabia. They were part of a company. You really want to get into this? It's rather involved for your kind of work.

PUTNAM: It would be of interest, yes.

NEVINS: Keep in mind that I'm a strong advocate of worldwide unitary taxation. That's the concept of including, for apportionment purposes, all of the operations of a multinational company, so that you take a three-factor formula, consisting of the sales in California as compared with the worldwide sales, the payroll in California as compared with the worldwide payroll, and the property in California, compared with the worldwide property. You combine them algebraically and you get a number which you apply to the net profits of the company, and then you tax those net profits as if they were a California company.

PUTNAM: I see.

NEVINS: That's the issue in a nutshell of the worldwide unitary system. And the theory behind it, and why that's good, has been upheld by all the courts, including the U.S. Supreme Court, a number of times. The last one was a Container Corporation versus the Franchise Tax Board.<sup>1</sup> The company is operating as an integrated whole, and there are savings in one part of the business that go to the whole business. If the company were in California, why, you'd see the savings there. But since the business is all over the place, you have to have some way to apportion the benefits that come from the integrated company, or the company can have lots of parts that trade between, that is buy and sell materials between themselves and, therefore, get a better price.

PUTNAM: Oh, yes.

NEVINS: That's exactly what happened in the case of the Saudi oil; they [Aramco] got the oil at a very favorable price. The way they actually paid was by dividends. But the dividends were given then to Chevron or to Standard Oil of California, based on whether they [Chevron] lifted--that's the oil companies' expression--the oil, their share, or purchased more than their share from the other owners of Aramco, the Arabian-American Oil

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1. Container Corporation v. Franchise Tax Board, 117 Cal. App. 3d 988 (1981).

Company. Chevron always drew more than their share, because they had a market for the oil in Europe and California. It's high quality crude. They had a strong marketing system in Europe and, of course, a strong marketing system on the west coast. So they had it carried by tanker to both places. This was a major issue that faced the board. I couldn't participate in it, but I watched it very carefully.

PUTNAM: I take it you're somewhat opposed to the recent revision of the unitary tax.

NEVINS: Well, the recent revision is one of the world's most tricky tax bills. It was devised by that fellow named David Doerr, the consultant. After consultation with lawyers from the Franchise Tax Board and, of course, people in private industry, what, in effect, the state did, was it acceded to the wishes of President Reagan, and his relations with Germany, Holland, Great Britain, and Japan. They complained that the worldwide apportionment sucked up profits from operations in other parts of the world than California, and that, therefore, it was unfair.

PUTNAM: Yes.

NEVINS: So what this bill did is gave these companies an opportunity to get taxed on a different method. If they elected to do so, they can make the change. They have to pay some money to do that.

PUTNAM: What is the different method?

NEVINS: The other method is a fee based on their property in California. You know, I don't have it fully memorized. But as you read about the issues in the coming year, the fee issue will be one of the major ones. I think the fee is times their gross sales in California.

PUTNAM: Will most foreign firms regard that as favorable to them?

NEVINS: Well, my understanding is that first, when they first heard about the bill<sup>1</sup>--and you know, it was passed in September 1986--they were all quite favorable. Then they started looking at bills more carefully. I understand that at a meeting in December at the executive office of the Franchise Tax Board, a member of COST, which is the Committee on State Taxation, a part of the U.S. Chamber of Commerce, that there was a strong feeling that only about half the companies were going to take advantage of it.

PUTNAM: Really.

NEVINS: The others were going to stay worldwide unitary. One of the problems with the bill is that when you make the election, you make it for ten years. In other words, not only do you pay the fee, but you are not going to go into worldwide unitary. Well, the problem the companies have is that whether the taxes are high or low in California, a lot depends on how they're doing in other parts of the world. If they are not making money in

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1. S.B. 85, 1986 Reg. Sess., Cal. Stat., ch. 660

California, and making lots of money elsewhere, then the appearances are that California is taxing the profit someplace else.

PUTNAM: Yes.

NEVINS: But if they are making lots of money in California, and not making any money anyplace else, then worldwide unitary is to their advantage, because then they can take off their costs, in effect, in the other parts of the world and offset them against the California profit. A lot of companies feel that they shouldn't be hung up for ten years. My feeling is that the governor will not change that part of the law. I think the governor himself is very pro-worldwide unitary. The only reason I think he made the change was that he wanted to get along with the president on this issue, and he feels he has now done that, and he doesn't have to do any more. I don't think many legislators really want to do any more. I think that Gray Davis, the new controller, who will be chairman of the Franchise Tax Board, feels that everything has been done that should have been done.

PUTNAM: Really.

NEVINS: That no more should be. But he was not the strong advocate of worldwide unitary that Mr. Cory and Mr. Nevins were.

PUTNAM: Nevins?

NEVINS: Nevins, me.

PUTNAM: Oh. Today's [January 12, 1987] [Los Angeles] Times says

Deukmejian is going to Japan, pleading with Japanese exporters that now that a fair law has been passed that they have been complaining about, meaning this one, there should be greater equity in trade between the two.

NEVINS: Well, I think the major thing that the governor would like to see is Japan importing more specialized California food products. I think that's the real thing that he is interested in, and that California has been interested in for quite a long time. We would like them to import more citrus fruit, particularly, and more other specialized vegetables. Japan has strongly opposed the importation of these items for many years. Apparently there is a small domestic production that's heavily subsidized in Japan.

PUTNAM: Yes.

NEVINS: Oranges are wildly expensive there, for reasons that I don't understand.

PUTNAM: Do you think this will fly in Japan? Are the Japanese exporters sympathetic to the revised tax law, do you think?

NEVINS: Well, they certainly had to say they were. I talked to a number of important Japanese officials before the passage of the bill. In fact I talked to the consul general of Japan in Los Angeles, and he said frankly he didn't think that this tax was a major barrier. He thought it was a very few people, very few Japanese businesses, SONY in particular, was the one. He felt it was not a major problem and had been vastly blown up

and that as far as he was concerned when they stopped talking about it he'd feel good about it.

PUTNAM: Is that right?

NEVINS: I've had a few other people talk about it. The critical thing to remember is that 40 percent of the corporations doing business in California today--this is before the effective day in this S.B. 85--are beneficiaries. They pay lower taxes than they otherwise would because of worldwide unitary.

PUTNAM: Is that right?

NEVINS: And those companies are the ones that don't do a lot of talking. But people in the tax field are aware of that, naturally, and so you have to talk to their clients seriously about what they really are going to do. But SONY, apparently, is a big noise maker.

PUTNAM: Yes.

NEVINS: They've had a fellow that's been working on this for years. It's funny that for SONY probably the biggest single place in the world where they do the most business is California.

PUTNAM: But they still want a tax break.

NEVINS: Yes, still want a tax break.

PUTNAM: I take it you think unitary taxing is more equitable?

NEVINS: I think it is the only way to fly. I think the federal government ought to use it in its relations with its companies and it does not do that. It uses something called the arm's-length approach, which is a very involved methodology of trying

to grade whether corporations have a market price on the exchange of their goods between their subsidiaries in the U.S. and elsewhere. And that's the issue there.

PUTNAM: That's hard to determine.

NEVINS: It's very difficult to determine, very difficult, almost impossible.

PUTNAM: Really.

NEVINS: Whereas the worldwide unitary system uses the existing record-keeping system that the companies have to use doing business in the United States and selling their stocks on the stock exchange--in other words, the SEC [Securities Exchange Commission] requirements. There is no reason in the world to make a change, in my opinion.

PUTNAM: I see.

NEVINS: But there has been a small change. I suspect it will not be that much advantage to take enough off.

PUTNAM: Oh, really! I thought it was a major change.

NEVINS: It sounds big. But my feeling is that there will be some companies that have to do it because they are big advocates of it, but I don't think they'll have their heart in it. I think the ten year election and the election fee together make the thing not too attractive. There will be a big effort to lower the election fee, and to try to reduce the years of the election. I don't think this year [1987] is the year that it's going to happen. I think the California legislature, and the

governor will be more concerned with [the] conformity of California's personal income tax with a new federal law, H.R. 3838.<sup>1</sup>

PUTNAM: And I think the governor would not want to get behind any other revenue measure that might cause a reduction in revenue, given the budgetary constraints.

NEVINS: No, he certainly won't go for any major loss in revenue. But of course, conforming with H.R. 3838 is a revenue raising scheme. So if you just conformed and didn't do anything, you raise \$950 million a year. And I don't think that's going to happen. I think what will happen is that we will conform, well, we'll have a bill like the one Mr. Hannigan has in the hopper right now. I don't remember the number.<sup>2</sup>

PUTNAM: To do what?

NEVINS: Well, what it does is conform with the federal law. And the principal areas of conforming are with the IRA [Individual

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1. H.R. 3838 was enacted as the Tax Reform Act of 1986, Public Law 99-514, 100 Stat. 2082.

2. No bill by Assemblyman Tom Hannigan on income tax conformity became law in 1987, perhaps because at the start of that regular session he resigned as chair of the Assembly Revenue and Taxation Committee and became majority leader of the assembly. Two income tax conformity statutes were enacted: the Personal Income Tax Fairness, Simplification, and Conformity Act (A.B. 53, 1987 Reg. Sess., Cal. Stat. ch. 1138), and the Bank and Corporation Tax Fairness, Simplification, and Conformity Act (S.B. 572, 1987 Reg. Sess., Cal. Stat., ch. 1139). Both of these changed California tax laws to conform to the federal Tax Reform Act of 1986 (P.L. 99-514). These were sponsored by Assemblyman Johan Klebs and Senator John Garamendi, respectively.

Retirement Account]<sup>1</sup> and the federal elimination from paying taxes at all. In other words, the people who don't pay federal taxes under the income tax law will be put in the same place in California. It will conform on all these things on the depreciation and all that that are in the new federal law. Those are the revenue raising things. Then, as I understand it, they decided not to conform on the subchapter S. This was a big thing where the small family-owned companies don't really pay corporate income tax at the federal level; they pay the taxes as they receive them directly themselves. But otherwise, they operate in the corporate structure. California does not recognize the subchapter S. But my understanding is that, after a lot of thought, the Hannigan-Doerr team decided not to go on that. Instead, they said that they were going to have an equity credit. I don't know just how that's computed. I haven't got a copy of the law here. But my understanding is that the equity credit will make up for some of the features of the federal law that Californians don't like. It will be in the California law, and then you will turn around and get this

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1. Prior to 1987, California income tax law did not recognize all of the features of the Federal Internal Revenue Code. As a result, California was billing 60,000 taxpayers a year who were claiming the federal benefit for IRAs on their state returns. Many tax preparers knowingly made the errors, thinking California would disregard the \$60 per return erroneous benefit. The Franchise Tax Board played hardball and won. The 1987 California conforming bill followed the new federal code closely but not completely on IRAs.

NEVINS: credit, which will offset these costs that you would have had if you conform absolutely with the federal law.

PUTNAM: I see.

NEVINS: I suspect that this will be the bill that will be the one. There is another one carried by Elihu Harris, the legislator from Oakland who's been carrying tax bills, the so-called flat tax. I just don't think California is going to go with the flat tax, especially that bill.

PUTNAM: OK, are there any other aspects of tax law, or administrative law that have bothered you in your career that you would like to see changed now that you are no longer in office?

NEVINS: Oh, yes, particularly in the Franchise Tax Board. You remember I've been chairman two or three times in the last six or seven years. I think one thing that they have done, and I notice that the Department of Motor Vehicles does the same thing, they have this 800 telephone number system. And there has been a conscious decision by the legislature to answer, for awhile, only 40 percent of the calls. In other words, your chances of getting answered were only 40 percent.

PUTNAM: I've had that happen.

NEVINS: Well, while I was there last year, we raised that to 60 percent. But I really think if you're going to have a state income tax that is quite different from the federal, and we have that, that you have some obligation to the citizens to have a system where they can reach you.

PUTNAM: Yes.

NEVINS: Now, the way the Franchise Tax Board is organized, in contrast with the Board of Equalization, they do have district offices, but they are not listed in the phone book. And you have to be somewhat of an artist to be able to find those telephone numbers and call them up.

PUTNAM: Why is that specifically?

NEVINS: Well, they are great believers in privacy. You'll notice, when you do talk with them, they just give you their first name, like Debbie. Like, I dealt with Debbie on something the other day.

PUTNAM: Is that right?

NEVINS: She did an outstanding job, and, of course, I knew what her name was, but I talked to [Gerald] Jerry Goldberg, who is the boss [executive officer], and said she did a good job and he should tell her so. So he said he would. He knew who I was talking about. But, they are big believers in privacy for their own employees, and they feel that the tax protestor people have made life tough for them; therefore, they don't give out their names, and everything is unlisted. I think it's weird. I point out that my telephone number was listed, all the board offices were listed.

PUTNAM: Is that right?

NEVINS: My number, my home number was right next to my office number for many years: Richard Nevins, member, state Board of

Equalization, 20 East Foothill Boulevard. I got a total of one call a calendar year. I think I said that earlier.

PUTNAM: Yes.

NEVINS: So that tells you either that we're doing a very good job, or we're very lax, or something. But it shows that we're not . . .

PUTNAM: Badgered by irate people.

NEVINS: I just never had a lot of trouble with irate taxpayers.

PUTNAM: And you don't think the Franchise Tax Board would either?

NEVINS: I think that most people who deal with taxes all the time and deal with taxpayers a lot really know how to deal with them, what their problems are. They can anticipate about 98 percent of their problems. Most people want a reasonable, prompt, sensible answer. And I think that the state should give that; I think the state Franchise Tax Board should do that. I think they are capable of doing it. And I don't know why they just don't do it, why they don't have the confidence to go ahead and do it. We do it at the Board of Equalization. People can call us up. All the offices have employees with names, and so forth. We're listed in the phone book, and they are easy to get ahold of.

PUTNAM: Whereas it's infuriating to the taxpayer not to be able to.

NEVINS: I know. It's terrible. What happened to me on the DMV is I got my pink slip on my new car with the wrong address. So I thought maybe I had to wait about three or four minutes on the phone, maybe five, to get through, and the girl said, "Well, I

have to take it to an office to get it changed." Well, that's a real pain to go there and wait, and . . .

PUTNAM: Stand in line, right.

NEVINS: Yes. I'll have to do it, I'll try to do it early in the morning.

PUTNAM: Well, I think that would certainly be an improvement. All right, are there any other . . .

NEVINS: Well, I think I mentioned in the last meeting that I think the state's training board, training of the supervisors, is a very important area, and I just can't overstress how important I think it is now, and will be in the future. But I believe I talked about that.

PUTNAM: Yes. OK. I'd like to ask you a few questions about aspects of your career that are not strictly tied to California. For instance, I know you've been a delegate to national Democratic conventions since . . .

NEVINS: Nineteen fifty-six. Yes, I went to the one in Chicago in 1956. It was out in the stockyards at that time. I believe that was the last one that was in the stockyards. The convention was a good deal smaller than it has become since then.

PUTNAM: Did that California delegation choose Stevenson?

NEVINS: The Stevenson delegation, yes.

PUTNAM: Did California want that, or was it split?

NEVINS: Well, as I recall, Stevenson did carry the state. And I believe the winner in the . . .

PUTNAM: In the primary, the presidential primary.

NEVINS: I believe it was winner take all, because we had winner take all at that time. And we went back, and most of us spent our time going out talking to people in other delegations, which was very easy to do in Chicago. I mean, the place really was rather small.

[Interruption]

PUTNAM: OK. We were talking about the 1956 convention.

NEVINS: Now, of course, it was my first one. I think I was vice president of the Young Democrats, and destined to become president. I may have been president at the convention. I just don't remember. But the state convention would have been in the middle of summer, so it was just a question of days whether I was going to be state president of the Young Democrats. But I was a delegate partly because I was president of the Young Democrats, and also because I could get elected in this district. We had an election system in 1956 and 1960 for choosing delegates. Anyway, we went there and sort of got a feel on what made the world go 'round at the national level. That was very important, to me, anyway. I felt that I learned a lot out of it. It prepared me particularly well for the 1960 convention which, of course, was here in Los Angeles. And I'd originally supported Hubert Humphrey, even though we were all pledged to Pat Brown. But we thought Pat was going to release us. We had no foreknowledge that he had made a commitment to

[John F.] Kennedy. Apparently, he had made it, but he hadn't told us.

PUTNAM: Yes.

NEVINS: Anyway, he wasn't in any position to put the arm on us. What was he going to do with us? There was no way to punish us.

PUTNAM: That's right.

NEVINS: Anyway, as you recall, Humphrey failed to win West Virginia, in a head-to-head contest with Mr. Kennedy.

PUTNAM: Right.

NEVINS: So I had to decide which candidate I was going to support. And about that time, around the first of June of 1960, I went to the National Association of Tax Administrators conference, which was back East someplace, I don't remember where, but it must have been in the New York area [Buffalo, New York]. I had a chance to talk to political types from a lot of different states before I got back to California. I, in particular, got to talk to people in Chicago and New York and Wisconsin. You remember they had sort of a tricky way of choosing delegates in Wisconsin.

PUTNAM: And Humphrey had carried Wisconsin.

NEVINS: Well, not very well.

PUTNAM: Just barely, that's right.

NEVINS: He had lost some districts that he thought he had locked up. And then I went to Minnesota. And, of course, this was after he was out. In Minnesota, the governor, Orville Freeman, who I

talked to for about twenty minutes, felt that he personally was for Kennedy, but that there was a very strong anti-Catholic feeling in Minnesota, and he was not going to support Stevenson under any conditions. He felt that Stevenson had almost defeated him for governor in 1956, when he had supported Stevenson. I think at that time Minnesota had two-year terms, but they had changed it by the time I was there in 1960.

PUTNAM: Meaning his support for Stevenson had almost cost him the governorship?

NEVINS: Yes. And he was upset about that. He felt that Stevenson was a poor candidate. He liked him personally, but thought he was a terrible candidate.

PUTNAM: I see.

NEVINS: And a lot of people felt that, too, so he wasn't alone. Anyway, I came back to California with a reading that outside of California Stevenson might have had twenty delegate votes--might have had--most of which were from the suburban area of Illinois. I believe he had one or two from Missouri, and he had two from New York: Governor [Herbert] Lehman and Mrs. [Eleanor] Roosevelt, as I mentioned last time, and that California's holding out for Stevenson was just ridiculous. We were putting ourselves in a position where we would be out of politics nationally. So I decided to go for Kennedy, and started looking for the people who were working on it. And one of the first ones that I ran into was a fellow who was an auto

dealer. His father was a U.S. senator from Washington, and he had a Cadillac dealership that's now on Olympic [Boulevard] and Santa Monica [Boulevard].

PUTNAM: His father was a senator from Washington?

NEVINS: Yes.

PUTNAM: That's not [Warren G.] Magnuson, was it?

NEVINS: No, no.

PUTNAM: Surely not [Henry] Jackson, because Jackson was a bachelor.

NEVINS: No, no, Jackson was pretty young in those days. [Laughter] I'll try to think of it. Anyway, I was aghast that he was Kennedy's person here in California. He just didn't seem to know anybody. And I'll never forget, I was at dinner with some people who were very active Democrats, it was across the arroyo, and her husband had run for Congress once here in this district, and they were quite active. I got a telephone call from Jesse Unruh . . .

PUTNAM: From Unruh?

NEVINS: From Jesse Unruh, to come down to the Biltmore [Hotel], that he and Tom Rees were going to organize the Kennedy delegation. So I quickly finished dinner, and went down, and we got organized on what we were going to do, what delegates we were going to talk to, and I was given about five of them to try to turn around. And I didn't turn any of them, they were all hot for Stevenson.

PUTNAM: For Stevenson?

NEVINS: And I didn't get anywhere. I was really upset about it. And the people, the Stevenson people, played some awfully hard ball on me. I remember the delegation was staying in a real ratty hotel in Hollywood, and I can't remember. . . . It's not the Roosevelt, but it was the Knickerbocker or something like that, it was a terrible place, and I was sitting in a phone booth, and some woman said, "Are you Dick Nevins"? And I said "Yeah." And then she just took off on me how all the terrible things were going to happen to me if I voted for Kennedy.

PUTNAM: Like what?

NEVINS: Well, I was going to lose my office, and all these people were going to work against me. But anyway, Pat Brown thanked me for supporting Kennedy and, of course, he announced, like on Sunday night that he was . . .

PUTNAM: That he was supporting Kennedy.

NEVINS: That he was supporting Kennedy, and asked that we do the same. Of course, everybody was upset.

PUTNAM: Yes. How many did? How many delegates did go for Kennedy?

NEVINS: As I remember, about a third.

PUTNAM: About a third?

NEVINS: Yes. About another third went for Stevenson, and the rest of them went for the other candidates.

PUTNAM: I see. That was the election in which George McLain ran in the presidential primary and got a huge number of votes, I think about 600,000. Were you affected by that at all?

NEVINS: Well, Pat seemed to have that problem. He'd get into a race, and then some guy like George McLain, who was really kind of a nut. . . . I don't know whether you ever met George McLain [Laughter], but George McLain was hopeless.

PUTNAM: No, I never met him.

NEVINS: He had this woman that worked for him that had brains, but he didn't.

PUTNAM: Myrtle . . . ?

NEVINS: All I can do is I can remember meeting and talking to her. I got along with her just fine, and that group was always very nice to me, so I never had any problems with them. They were obviously unfit to be president. There was never any question about that. It was just a power play.

PUTNAM: Yes.

NEVINS: I think they were mad at Pat because he didn't support some bill that they were for.

PUTNAM: Yes, that's right. OK, also were you on the 1964 [delegation]?

NEVINS: Well, the 1964 [Democratic convention] was in Atlantic City, and the only issue there was who was going to be vice president. And we just all sat around, went swimming and drank beer, and stuff like that. That's the last time I really had a lot of talk with Phil Burton. He, by then, was a congressman. We were all in the same hotel together. We used to swim everyday, in the pool. I don't know why we didn't swim in the ocean. I guess I swam in the pool and in the ocean. But they

wouldn't swim in the ocean. I don't know what that was all about. That was the last time I really talked a lot to him.

PUTNAM: Is that right?

NEVINS: I didn't see much of him after that. You know, back in Washington his district was up in San Francisco.

PUTNAM: Yes. He wasn't yet, that early, a major figure in the California congressional delegation, that he later became.

NEVINS: Well, he had played a role in the reapportionment of 1961.

PUTNAM: Oh, he did then?

NEVINS: Yes. Remember, they just apportioned the assembly, and the Congress, and we got a lot of new congressional seats out of that, because California had grown in relation to the rest of the United States. And he ran for one of the districts he created himself.

PUTNAM: I see.

NEVINS: There were quite a number of legislators that ran, who were elected that year to Congress from these new districts.

PUTNAM: The new districts. Yes.

NEVINS: And, of course, just about every one of them was Democratic. I don't believe there was any that were Republican. [Laughter]

PUTNAM: Well, that's when the Democrats first had control.

NEVINS: That was the first time that they had controlled both houses of the legislature, the governor, and the congressional delegation in modern times, since 1850.

PUTNAM: Since 1898, I think.

NEVINS: Yes, but the Democratic party wasn't the same party that it is today.

PUTNAM: Well, no, they had almost disappeared by the 1920s. There wasn't much to do in 1964. Now, in 1968 you weren't a delegate. Is that correct?

NEVINS: That's right. It seems to me I filed to be on somebody's slate.

PUTNAM: Were you on the [Robert F.] Bobby Kennedy slate?

NEVINS: No.

PUTNAM: You weren't?

NEVINS: But I was on the, oh, I think I was on Pat Brown's, or somebody's favorite son.

PUTNAM: Favorite son.

NEVINS: It didn't go. It just didn't go anywhere.

PUTNAM: Yes.

NEVINS: I think it must have been Pat Brown. He wasn't governor then, obviously. But we came in second or third, and they never campaigned. It was sort of annoying.

PUTNAM: Nineteen sixty-eight was a traumatic year, the year of the [Robert F.] Kennedy assassination, and the Democrats here were in terrible disarray as a result of that.

NEVINS: Well, out of that, of course, they had the reforms of the party that people talked about a lot. And that's when they started the contact of having the things like the platform committee, and the credentials committee be appointed early and meet separately from the delegates. And so what happened is the

state central committees in the states where the primaries had not occurred, appointed people for those committees. And then once the delegation had been chosen, then the delegates would choose the members of the committee. Of course, California's primary elections for presidential primaries are the first Tuesday after the first Monday in June, so we were, in effect, the last ones. And, generally speaking, the delegates wouldn't be organized for a couple of weeks after that, so I would be sitting in the two years that I was on the platform committee until I was replaced.

PUTNAM: That was in 1976 and 1980.

NEVINS: And in 1980 I never was really replaced, because there wasn't any real platform committee. That was made of delegates, because the rules had been changed still further, so that in the kit that the delegates were supposed to have by the first of July, they had the draft of the platform. As I think I mentioned before, the rules required the party to make a change, you had to have a lot of signatures. You had to have so many people on the platform committee sign the change, and so many other delegates. It was a big job to get it changed. And the platform had been pretty cleverly designed, so, as I recall there weren't very many fights on it, a nominal fight, but nothing to get excited about.

PUTNAM: I see. For a minute, go back to the convention of 1972, the [George S.] McGovern campaign. Now, the California delegation was pledged to McGovern, anyway, wasn't it?

NEVINS: Well, what happened, as I recall, there was a Humphrey delegation and a McGovern delegation, and there was some question whether you could have winner take all. Steve Reinhardt, who is now on the Federal District Court of Appeal, was the architect of the last gasp on winner take all on the theory that it would give California a lot of leverage in the convention.

PUTNAM: Yes.

NEVINS: There was a question whether the rules committee would permit a winner take all, because the party was against it. It was considered to be undemocratic and unrepresentative.

PUTNAM: But even though California's law read . . .

NEVINS: Yes, but I mean I don't know that that had been decided at that time. You know the U.S. Supreme Court decided that if the parties can make their own rules, then the state laws have to conform to those rules, period, which makes some sense when you think about it. And so, I'm not sure that that decision had been made then, but the result at the convention was, that by vote, the delegates at the convention, at the emphatic and emotional appeal of one Willie Brown seated the McGovern delegates, and we were allowed to sit on the Monday night. We weren't kicked off the floor, because that would have been unseemly. But we were not given half votes, and we were not even given passes for the next day.

PUTNAM: Willie Brown, what was his position in that?

NEVINS: Well, he was, I think, one of the nominal leaders of the McGovern delegation.

PUTNAM: I see.

NEVINS: And I remember I saw Phil Burton at that convention. I said, "Phil, why are you throwing us out? I mean the people on this delegation, the people you're going to need for the campaign?" Well, I don't remember McGovern people very well. The McGovern people thought they knew everything, and so they elected to throw us out. So we all came home. And we were the sort of people who had been accustomed to running the campaigns, the California presidential campaigns. We had been the people who had raised the money and all that kind of stuff. So the McGovern people came back and stumbled around very badly for about two months. Finally, they asked us to get involved. I did the best I could. But McGovern was a miserable candidate, and his handling of his vice president was particularly odious.

PUTNAM: Yes.

NEVINS: McGovern was not a heavyweight, let's just leave it at that. And he was not aware that 20 percent of Americans have a relative who is, you know, nuts.

PUTNAM: They have been under psychiatric care.

NEVINS: Or he himself had it, or he has close friends who have had it, and that they feel very strongly about it, and his handling [of vice presidential candidate Thomas Eagleton] was. . . . It's funny, you just couldn't tell. I remember some of these people

are still active in Pasadena politics. You just couldn't tell him that you couldn't throw that guy off.

PUTNAM: Eagleton?

NEVINS: Eagleton, you could not throw Eagleton off. No way you could throw Eagleton off. If you did, you bought yourself a lot of trouble.

PUTNAM: Yes, and he certainly did. The outcome of the election demonstrated that.

NEVINS: Right.

PUTNAM: But you did try, even after this hassle, you did try to work for the McGovern candidacy here in California?

NEVINS: No. People gave you a bad scene. You know, your party loyalty and blah, blah, blah. And we didn't want to get involved in the kind of things that the people did to us in 1952 anyway. But, basically, the presidential thing moved away from the party really after that and became a PR gimmick.

PUTNAM: Right.

NEVINS: And I think a lot of people regret that, and are stumbling around now to try to find a better way to handle the thing. The convention system, I think, is good. But the problem is that the people don't see what's good about it. I mean, what's happening is that the guy is going on, won all these primaries, and then the convention just blesses the result of the primary.

PUTNAM: That's right, a coronation.

NEVINS: But let's say the guy didn't win, and this could very well

happen. Well, it almost did, in 1960. Kennedy just barely made it.

PUTNAM: Yes, correct.

NEVINS: I mean, barely. It could happen at this time that none of the candidates who come to the convention have a majority; therefore, the delegates are going to make the . . .

PUTNAM: Have to choose.

NEVINS: Have to choose and, you know, basically I think the delegates are capable of making that choice.

PUTNAM: That's considered their job in the era before presidential primaries.

NEVINS: Most of them are people who are interested in politics. Hopefully, there are some officeholders among them.

PUTNAM: In 1976, there was hardly any contest. [James E. Jimmy] Carter had it pretty well sewed up.

NEVINS: Carter locked it up pretty much in the primary, right. But I was not a delegate.

PUTNAM: But you were on the platform committee.

NEVINS: I was on the platform committee. I didn't try to be a delegate. But this is this big thing where you had to be elected at the district level, and it was very emotional, and I just thought, "Hell, I'm not going to go through that." And the same in 1980, I didn't try.

PUTNAM: How did you get on the platform committee then?

NEVINS: I had been a constant contributor to the Democratic

party--there are very few people that do that. And I asked to get on the platform committee, and the chairman of the party, a lawyer . . .

PUTNAM: I know who you mean, yes, Robert . . .

NEVINS: No. That's not it. Anyway, he appointed me. He was a friend of mine, and I'd helped him early on when he was first active in the Democratic party out here. He came from Iowa. Anyway, we put it together, and I got on. There were about ten members from California. So I wasn't the only one. But I was pretty much the only one in both of them. I went to pretty near every one of the meetings that they had. They had about six meetings at the time, and I went to just about every one of them.

PUTNAM: Where were they?

NEVINS: They were all over the country. They had one in 1976, the farthest west they got was Denver. They didn't want to come to California, because they didn't want the "kooks." [Laughter] In 1980 the farthest west we went was Seattle. They wouldn't come down to California. They met in Kansas City, Atlanta, gosh, I don't know. We met a couple of times in Washington, [D. C.] because that was a very convenient place to meet. And a lot of people were ready to testify. I mean, they were based there, so it wasn't any sweat for them to come to testify.

PUTNAM: Sure. Were there some crucial issues you decided on the campaign, on the platform committee in 1976?

NEVINS: I can't remember the 1976 part. But I remember the 1980. In

1976 we played some games [with] the New York delegation. The platform committee met in the Mayflower Hotel, in the week before I was to be replaced, incidentally, and put out the draft of the platform. And the New Yorkers went home on one of those days to have a convention in New York, which, of course, is only three or four hours away. So the day they were away was the day we drafted the platform. We were supposed to, you know, take a day and a half to do it, and we did it in about eight hours.

PUTNAM: Really.

NEVINS: And they sort of rushed it through. When the New Yorkers got back, why, of course, it was all over.

PUTNAM: Well, weren't they pretty miffed?

NEVINS: I don't think that the 1976 platform was too controversial.

PUTNAM: But 1980 was?

NEVINS: The 1980 one was the one where the Kennedy people came in and wanted to wipe out Carter.

[Additional remarks were missed on tape and were not recalled by Mr. Nevins.]

[End Tape 2, Side A]

[Begin Tape 2, Side B]

So they had been involved in volunteer politics. Right off they saw that having been involved with volunteer politics was a surefire way never to be a participant in the appointments that the governor was going to make to the thousands of commissions and so on.

PUTNAM: Is that right?

NEVINS: Oh, yes. If you were a party person that dinged you right there. And people who hadn't done anything for Pat, really didn't amount to anything anyplace, got these jobs. That's what happened under Jerry Brown. I mean, I watched the replacement of Jerry Brown appointments by Deukmejian in the last four years, and Jerry appointed very few people who had any relation to the Democratic party or to anything. I mean, he just disappointed all these weirdos. And that's sort of the way it is.

PUTNAM: That being the case, what can a state central committee do, or the executive committee?

NEVINS: Well, they don't really do much of anything. That's their problem. That's why they don't get much attention. There's not much for them to do. They don't play a major role in the elections, they don't raise money for the candidates. There isn't any real way they can. The candidates raise the money, not the party. The candidates end up helping the party, which I did.

PUTNAM: Rather than the other way around.

NEVINS: Yes. The party doesn't do anything for you. It's terrible. Now the party is helpful in a sort of low visibility campaign like mine. If you can get a lot of people working for you out there, and you're identified in all the different headquarters of the different local candidates, and there's always quite a

lot of those. The people know you because they see you at party things, and think you're a good guy, you get some measurable help. I mean, you can see it. But when push comes to shove nowadays, it's how much television time you have, and how effectively you use it, really.

PUTNAM: Yes. Well, other incumbent officeholders, what do you think? Do they prefer it this way?

NEVINS: Well, I think most of them have had trouble. Working with parties is difficult. You find that you have to sort of cater to some people who you don't like very well, and that they are not really that helpful to you, and you know, a lot of them say, well, why go through that? And I've got to wrestle with my lobbyists and associates up in Sacramento. If you're a legislator or if you're a congressman, why should I mess around with some tomato, or some woman from Fresno who is vice chairman of the Democratic State Central Committee, and is forming a group to do so-and-so. The result is that the officeholders as a group don't pay much attention to the party. They really don't.

PUTNAM: Yes. And the officeholders also dominate the state central committee, too, don't they?

NEVINS: Don't forget, they appoint the people on it. They are members themselves by virtue of . . .

PUTNAM: And they appoint others.

NEVINS: They appoint others. That's about the only way you get on that. The rules presently have people elected from districts.

PUTNAM: Yes, districts.

NEVINS: I don't know how many of the state central committee those are.

PUTNAM: I don't, either. You elect some at the county level now.

NEVINS: Right. That's a change, but it's a very big, diffuse organization, not going anyplace. And they have a convention. Now, it's always in Sacramento. I think it's this weekend.

PUTNAM: Would you like to see that changed? Would you like to see the party become more viable?

NEVINS: Well, you know, if I could think of what would be a better organization than what we have I would get more interested in it. But, you know, I've thought a number of times about what changes you have to make to make it work, and I just think we are going through a time when nobody wants a party, and it's an anachronism, and so why give it a lot of thought.

PUTNAM: Yes. [Laughter]

NEVINS: That's not how politics are being played these days.

PUTNAM: That's right. I have one last question. It's a bit controversial. You may not want to discuss it. I noticed in the media you reported you were one of the last to retire and qualify under the old pension law.

NEVINS: There's twelve people, of whom I'm one, who served before 1966, or whatever it is. If I get the dates wrong it's because I can't remember. But I believe [it's if] we served before 1966. I think that's right.

PUTNAM: That sounds about right.

NEVINS: There's no question that we have a very comfortable pension, and it came about by a complex series of events, but the gist of it is this: Prior to 1966, the legislature was very poorly paid, so one of the ways the legislature improved their pay was to improve their pension. That was permitted by, I guess, a court test, or something. Even though you were only getting \$20 a day, or whatever it was, you could put in a pension plan for yourself. And so they did. Then you recall, the constitution says that whatever perks the legislators get the constitutional officers have to have. In other words, a legislator can't have something that the constitutional officers don't have. That's what saved my automobile and things like that. [Laughter] If they took my automobile away they get theirs taken.

PUTNAM: Take their own away. [Laughter]

NEVINS: Anyway, Jesse Unruh reorganized the legislature by, you know, constitutional amendment. The purpose of it was to make it full time, and change their pay, to make the legislature an equal element in the state government in fact. Well, somehow, in all that, the pension thing for constitutional officers was not attended to. And so we got the pension that had been put together for the old days for legislators.

PUTNAM: When they drew very small salaries.

NEVINS: Very small pay. Then, in those years, even before then, there were various schemes to sort of enrich the pension for the

constitutional officers. And one of those, the one that did an awful lot for me occurred in about 1968-69, when Frank Jordan, the secretary of state, had become ill. I guess he had a stroke and, apparently, was not going to live very long. So what the Republican administration, the Reagan administration wanted to do, was to increase the pension so that Mrs. [ ] Jordan would agree to let Frank retire, and she would have a comfortable pension for the rest of her life. And the Reagan people could then appoint an effective candidate for the job. Well, apparently, what happened was Mrs. Jordan wanted to be appointed to be the secretary of state. They didn't want to appoint her. So nature took its course, and Frank died about the first of February 1970, right before filing for office, but too late to have an appointment do any good. And, you know, the guy would have a chance to get in office and, you know, be recognized as secretary of state. So they appointed one of the staff people in the office to be the secretary of state. And everybody ran, including Mrs. Jordan, and she did very poorly. But you recall, the thing that the Reagan people were trying to not happen, did happen, and that is a Democrat sneaked through.

PUTNAM: Which Jerry Brown did.

NEVINS: Jerry Brown, and he did, and became governor. But that little episode, and it's funny, Weinberger was involved in that. I was talking to some Republican the other day about it. They were all part of this plan, to put it quite as bluntly as that.

PUTNAM: How did that affect the pension?

NEVINS: Well, as I recall, Weinberger was the director of finance by that time. He approved the bill. It has the cost to it.

PUTNAM: I see. A cost. The cost of living?

NEVINS: Usually. . . . Well, any bill that has a cost to the state, the director of finance gets involved with. This one had a cost right from the start. Not a big cost, but it cost something. It was a policy problem there that cost money. Anyway, it's funny to think of Weinberger being involved in all that stuff way back in those days, and where he is today. Anyway, that went through. This measure, by the way, was supported by one of the board members, George Reilly, who had served twenty-four years. What they were going to do is give a 50 percent increase to people who had served twenty-four years.

PUTNAM: A 50 percent pension increase?

NEVINS: Yes, and that's one that makes mine rather big. And so that passed and, of course, I had a tough time in the 1966 election, and I never had any concept that I was going to serve twenty-eight years. I had no idea. But, finally, the twenty-eight years came by, the twenty-four years, the twenty-eight years went by. And here I am drawing a pension now, which really I never had anything to do with. I never lobbied on any pension bill of any kind. But I'm here.

PUTNAM: It was made, you are saying, to compensate people who were then getting very low salaries, by having them make it up in a fairly generous pension. Is that correct?

NEVINS: Right. That was one of the concepts. Actually, one of the legislators who was a state senator from the Vallejo area, was the one who actually drafted the legislation that is now the pension plan for constitutional officers. He had cancer of the jaw. Seagert, or Sea something or another. Anyway, [Jerrold] Jerry Seawell.

PUTNAM: Oh, Jerry Seawell, S-E-A-W-E-L-L?

NEVINS: Yeah, Jerry Seawell. Well, he had cancer of the jaw, and he wanted to have a pension plan that would take care of his wife.

PUTNAM: Oh, really.

NEVINS: So what he did was, you know, gave this credit for time in the legislature, and then he got himself elected to the state Board of Equalization, from the then Second District, which is now the First District. He died after he was in office, and his wife did get the pension. He was succeeded by Paul Leake, who was appointed by Governor Warren.

PUTNAM: OK. The [Wadie P.] Deddeh amendment that we voted on in the last election was designed to put a stop to it.<sup>1</sup>

NEVINS: It's designed to say that I won't get a cost of living increase in addition to the cost of living that's built into my pay. In other words, if the state employees get a 3 percent increase,

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1. Proposition 57, November 1986, authored by State Senator Wadie P. Deddeh, S.C.A. 32, 1985-1986, Reg. Sess., Cal. Stat. ch. 57. It limited retirement benefits for nonjudicial, nonlegislative elected state officials. It was approved by a margin of 72.7 percent to 27.3 percent.

or 2 percent, or whatever it is, I won't get it. Now, that measure is blatantly unconstitutional. It will be challenged by various folks who are the beneficiaries of this measure, and I'm sure that the courts will rule that it's . . .

PUTNAM: They have a contractual relationship with . . .

NEVINS: It was put in to stop the [Paul] Gann measure.<sup>1</sup> The Gann thing.

PUTNAM: Oh, yes.

NEVINS: That was the genesis of the Deddeh amendment.

PUTNAM: OK. Well, thank you very much, Mr. Nevins. Is there any last minute input you'd like to add?

NEVINS: No. I'm trying to get used to being retired. I guess I'll find a way. No. I'm glad I served as a state constitutional officer. I liked a lot of things about it. I'd say that one thing we haven't touched on is how sort of unfriendly the city of Sacramento is to people in government there.

PUTNAM: The city?

NEVINS: The city is very unfriendly. It's an unfriendly place to go. Now, people like to live there. You know, if you have a house and live there, have friends and everything, that's just fine. But really, the area around the capitol is sort of deserted, especially at night.

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1. Proposition 61, Gann Salary Limitation Initiative, November 1986. This proposed constitutional amendment would have set the salary of the governor and other constitutional officers and limited all other public employees to salaries lower than the governor's except by a two-thirds vote of the legislature or by popular initiative. It was defeated by a margin of 34.1 percent to 65.9 percent.

PUTNAM: Yes, it is.

NEVINS: And it's just as if, we don't want you and why are you here, and why are you bothering us? It's weird.

PUTNAM: So you have to . . .

NEVINS: Just going to and from Sacramento was pretty disagreeable.

PUTNAM: But you would do most of your work in your district?

NEVINS: Well, that's why we just went up there as little as possible. And it's funny, the other board members feel it just as strongly as I do. They don't like to go there. And, you know, if Governor Deukmejian were richer, he would do like Reagan and other people did, I mean, and Jerry [Brown], they are just there the minimum amount of time.

PUTNAM: Reagan, especially, was noted for that.

NEVINS: He was there two or three nights a week, and that's it.

PUTNAM: Weekends?

NEVINS: I think he'd be there like Monday, Tuesday, and Wednesday nights at the most, and then go.

PUTNAM: I get the impression legislators don't have that attitude as much, do they? They hang around in Sacramento . . .

NEVINS: Well, I don't know. No. Some do. But a lot of them come home to their district. There have been some legislators who did not come back to their districts, and really got smashed in the election time. This fellow that ran for assessor here in Los Angeles County, that had been a legislator . . .

PUTNAM: Ran against Pope?

NEVINS: Well, [Thomas] Lynch, Lynch won, but the other one, the Democrat who ran against him in the runoff. He was one of those legislators who had been very active in his district, and he got elected to the assembly, and went to Sacramento, and got involved with a lot of stuff up there, and stopped coming to his district, some guy just knocked him off.

PUTNAM: Wiped him off.

NEVINS: Wiped him out. And the same thing happened to a fellow down in Long Beach. [David] Elder became assemblyman because the guy got involved with . . .

PUTNAM: Oh, yes, [Vincent] Thomas.

NEVINS: No, Thomas came back to his district. Thomas just didn't campaign. He just thought, "Oh, hell, I've been here all these years and they owe it to me," you know. [Laughter] They don't owe you anything. Anyway, the point I'm making here is that there's been enough legislators defeated who stayed away from their districts, so they all come back. I mean, like this fellow that's a state senator, who wants to run for mayor of Los Angeles. The only problem is he lives in South Pasadena, Torres. Art Torres.

PUTNAM: Oh yes, Torres.

NEVINS: For awhile, he didn't come back. And then he realized that was a big mistake. And so he comes back. Alatorre didn't like to come back, but he came back.

PUTNAM: Well, Torres gave up his legislative seat to get on the . . .

NEVINS: No, Alatorre.

PUTNAM: Oh, Alatorre, that's right.

NEVINS: Anyway, I'm just telling you, a lot of guys discovered the hard way that the only way to be a legislator is to come back to your district as much as you can. Go to all the different little Mickey Mouse affairs, to be seen.

PUTNAM: You've always done that.

NEVINS: Well, I mean, I didn't live in Sacramento, so I didn't have any problem. I did a lot of district work, and that's one of the things I did less of in the last four years, knowing that I wasn't going to run again. I slowed down. [Laughter]

PUTNAM: Well, thank you very much, Mr. Nevins.

[End Tape 2, Side B]

[Session 2, February 7, 1989]

[Begin Tape 3, Side A]

de GRAAF: Mr. Nevins, there are a few things about your background I think I'd like to go over before I get into your actual career on the board. You went to private school. You went from there to Yale. It sounds very much like our current president. Did you by chance ever run into George Bush at Yale?

NEVINS: George Bush came to Yale after the war, and I graduated during the war, so I didn't go back after the war. A lot of people in my class went back after the war and finished, but I finished before I went in. I finished in December of 1942, but I was in the class of 1943.

de GRAAF: Now, from such a background, how did you become a Democrat?

NEVINS: My stepfather, William S. McCay, an architect here in Pasadena, had been a Democrat beginning in the early thirties. He had been building a lot of houses, and the whole real estate building business stood on its head in 1932

and 1933, and he was very upset with seeing all the people he had worked with--carpenters, laborers, everybody in the building trade--being out of work. And he formed an organization, along with some other people, called the Cooperative Relief Association, here in Pasadena. It was at the Kerchoff-Cuzner lumberyard, which at that time was on what we called Broadway in those days, now called Arroyo Parkway, near Green Street. It's where the ice rink was and now it's a public storage place. It then was just a regular, open lumberyard. And what they did at that time was they organized the people into sort of work parties and went out and harvested the crops on the farms which were immediately around Pasadena. Arcadia, for instance, at that time was a farm community of rather small farms, and the farmers weren't able to harvest the crops because the price was lower than the cost of harvesting. So they [the crops] were rotting. What happened was, the people in this group went out and harvested the crops and brought them in and distributed them to their family, using the premises of the Kerchoff-Cuzner Lumber Company. A lot of businesses in southern California supported this effort. The Union Oil Company gave gasoline. My stepfather got to know the officers of that company very well out of that. The Barbara Ann Bread Company, which I think has finally gone on its head--it used to be down there on the Arroyo Parkway--gave day-old bread, and a lot of other

NEVINS: organizations helped the association along. This organization was very active for about a year and a half, until the New Deal took over. Of course, when it took over, that was the end of the line.

[Interruption]

I think out of that my stepfather got less than enthusiastic about the Republican approach to dealing with real life problems and became a very active Democrat after that. He and his cousin, Fred Sutherland, who became the postmaster in Pasadena, were the local Democrats, and I went along with it. I tried to be a Republican; I just couldn't be a Republican. I remember once when [Thomas E.] Dewey and [Harry S.] Truman were running together in 1948, I just couldn't stand Dewey's radio broadcasts, and I voted for Truman and never even thought about being a Republican after that. I became an active Democrat.

de GRAAF: That's very interesting. You were, for about twelve years before you went on the Board of Equalization, an insurance broker.

NEVINS: I wasn't an insurance broker. The legal title I had is insurance solicitor, and that's the employee of a broker. The broker's name was Marsh and McLennan. They're still in business; they're the most successful [insurance] brokerage firm in the world. They have 22,000 employees at this time. I saw some people in the company the other day, and they

assured me that they're still very successful. When the insurance business is tough, brokers have a field day. That's when they shine. When life is simple, then people don't like insurance brokers.

de GRAAF: What exactly were your functions as a solicitor?

NEVINS: Marsh and McLennan is an insurance brokerage firm that handles major corporate business, like Lockheed Aircraft. Packard-Bell is one of the accounts I handled. Universal Pictures Company was another one I worked on. I worked on a wide variety of corporate accounts that were handled by the Los Angeles office. I started out in the Marine Department, which at that time had some hull insurance accounts, [e.g.] Richfield Oil Company, which was what it was called in those days. We had a Burns Steamship Company, which is a company that went out business in the late forties. We had some steam schooners. Those are the things that bring lumber down from the north. There's still one or two left, and we had one of them. And I handled cargo insurance. We had the Johns-Manville account, which is still a large shipper of diatomaceous earth on a worldwide basis; twenty carloads a day every day from Lompoc out to the world, a real gold mine. I mean, one of the richest mines in the whole world is right there in Lompoc, and nobody knows about it. It's weird. So that was my job, handling the corporate accounts, dealing with the kind of people in corporations that handled the shipping or the owning of ships and that kind of thing.

de GRAAF: Had you been an accounting or business major at Yale?

NEVINS: No. I majored in international relations. That qualified me for anything.

de GRAAF: Can you reflect on any ways in which your experience in this insurance brokerage firm may have prepared you for, or influenced your work on, the Board of Equalization?

NEVINS: One thing you learn in the insurance business is--at least as a broker--your job is to be the organized person in the setup. In other words, you find that insurance companies are very disorganized. They're run by very low-grade people, as you can see from the propositions in the recent campaign here in 1988.<sup>1</sup> The broker is a person that deals with the client and gets what the client wants. Well, the client may not know exactly what he wants, but he knows what his problem is, and you have to try to solve it. That's what a broker does. You try to go on a worldwide basis to find the insurance coverage that deals with that client's problems. For instance, we had a client called Superior Oil Company at that time, and they were one of the first companies to drill out in the water offshore, like two or three miles from the shore. We had to get insurance coverage for their drilling rig, and we became quite expert at it. I was one of the

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1. Propositions 100, 101, 103, 104, and 106, which were variously sponsored by the insurance industry, trial lawyers, and consumer groups to address the issue of excessive insurance costs. Only the consumer-backed measure passed.

people who worked on drilling rigs. So that's what you did in a brokerage business is, you had to be organized. You had to have a concept of what it was that the client needed, and then you went out and tried to find it, wherever the market was. You tried to get the best price and the best coverage, and that was what it's all about. So you had to be organized. You were the one that was responsible for what the client got. You represented the client, and said, "I'm going to do so and so," then you did it. Then you had to get the insurance companies to deliver. Of course, you had to get the clients.

de GRAAF: Essentially, the taxpayers of California became your clients?

NEVINS: That had some characteristics of being a kind of elected official. You have to decide what it is the clients--the people--want, and you have to try to get it somehow. Some people can't figure that out. But anyway, it [insurance brokerage] had a lot in common. I wrote lots of letters, so I learned how to write letters. I had to deal with all kinds of people in the insurance business and that's what you have to do when you're in politics, you deal with all kinds of people. So I had a lot of practice in that, at company expense. Let's put it that way. They were very nice about me being in volunteer politics. They were pretty good about it. They let me take calls at the office and stuff; they didn't yell at me about that.

de GRAAF: They were not a particularly Republican oriented firm?

NEVINS: They were Republican oriented, but they realized there had to be Democrats [Laughter], so they didn't get too upset about it.

de GRAAF: One other thing: you were very active in the Young Democrats through the 1950s. At that time, you yourself would have been well into your thirties. Was it typical that people of that age were active in the Young Democrats during that time?

NEVINS: Well, there was an age maximum, and it seems to me it was thirty-eight. I just can't get that exactly in my mind. Let's see. In 1958, when I was running, I would have been thirty-seven. I think when you were over thirty-six, that was the word, you were not supposed to hold office in the California Federation of Young Democrats. I was completing my two-year term as president of that organization, and some wiseacre brought that up in a meeting. I said, "Well, you know, if you want to oust me as president, be my guest, but your job is to organize the next conference. That takes quite a lot of work. Is that what you really want to do?" And the guy really didn't want to do that. So I remained as president and put on the conference at the Hollywood Roosevelt [Hotel], where, among others, A. Phillip Burton, the man who became a famous congressman, was cochairman with me that the meeting. Together we ran the meeting and manipulated the media in the usual way that politicians do.

- de GRAAF: This was a statewide conference?
- NEVINS: It was a statewide conference at the Hollywood Roosevelt Hotel. It happens every two years.
- de GRAAF: Did this occur in 1958, just before you ran for the . . .
- NEVINS: It occurred in the summer of 1958, after I was the nominee for the State Board of Equalization, but before I was elected. Incidentally, I knew I was going to be elected, so I didn't worry about it.
- de GRAAF: Now, was Burton himself at that time active in the Young Democrats?
- NEVINS: Yes, he was. He had served a tour as an officer in the [United States] Air Force in Alaska and had come back and started practicing law in San Francisco. At that time [1954], I think, he had tried to run for assembly and been defeated by a dead man, and he was very upset about it, naturally. But I believe that he ran. . . . He must have been in office. I think he was by then a nominee. I just can't remember all the dates on Phil, but he had just recently come back. I think he got elected that year, 1958, to the assembly.<sup>1</sup>
- de GRAAF: I think he did, too. Besides him and Toby Osos, whom you mentioned in your earlier interview, were there other

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1. Phillip Burton was first elected to the California State Assembly in 1956.

prominent Young Democrats that you recall who later became important in California politics?

NEVINS: I just remember Henry Waxman very briefly. I knew him later after I was in office, but I don't really remember him as being terribly active. [Mervyn M.] Merv Dymally's first day of volunteer politics was at this conference at the Hollywood Roosevelt. He showed up on Sunday morning and helped me run the mimeograph machine. So I got to know him and I've known him right along, and we were very good friends for awhile. He sort of gave me a hard time in one of my elections, in 1982, so I kind of lost interest in him. But that's neither here nor there. But I helped him, particularly in his reelection effort for lieutenant governor, which he lost.

de GRAAF: Can you comment on the role you feel the Young Democrats played in the fifties in rebuilding the California Democratic party?

NEVINS: What happened to all of the elements of the Democratic party during the Roosevelt years was that the incumbents and the people who had appointments through the [Franklin D.] Roosevelt-Truman administrations sort of took over and squashed all activity. Their idea was, they didn't want anybody out there competing with them for power, and everytime anybody came along, they called them a communist. That was the usual gimmick, and they were very successful at that. So that there was virtually no Democratic party of any

kind. And the Republican party had a lot of these things in common, although there were more volunteer Republicans in the late forties and early fifties than there were Democrats. But what happened when Adlai Stevenson ran, he sort of inspired a lot of people to become active in the Democratic party. At the time he was running, the California Federation of Young Democrats had been revived by this Toby Osos that you're talking about here, and a fellow named Lionel Steinberg, who was a produce grower down in the Coachella Valley. There were other people who got together, including Phil Burton before he went to Alaska, and had rebuilt this organization which had been a sort of paper organization. They took it away from the paper people, went to a national convention, got the charter for the California Federation of Young Democrats, which we couldn't incorporate because the incorporated organization controlled the California Young Democrats, Inc., so we were stuck with an unincorporated organization. Anyway, we built this organization. I was part of the group. We built it up so that we had about forty clubs, fifty clubs.

de GRAAF: When did this rebuilding effort start?

NEVINS: The major part really started after Stevenson.

de GRAAF: After the 1952 campaign?

NEVINS: After the 1952 campaign, although quite a lot of spadework had been done before that. But I was part of the effort to

rebuilt, and we formed lots of new clubs and got a lot of activity going all around southern and northern California, and the Fresno area. You always had a good club in Fresno. We've had clubs on and off in Bakersfield and San Bernardino. We have San Diego. We never had any in Imperial County that I can remember. We had clubs in Riverside, Santa Barbara, and Ventura counties. They'd come and go, and a lot of them depended on the personality of the leadership and what sort of campaigns were available to be in. Often, having a young person running for office in an area tended to inspire leadership in the Young Democrats because they needed the help and all that kind of stuff. You've got to remember, the Republicans controlled everything in those days. There were virtually no Democratic incumbents in anything. The Republicans had this reapportionment scheme where they had Democrats in enormous districts and Republicans in small districts. You hear all the Republicans talk about the horrors of apportionment, but what they did to us was much worse. But in spite of that, I want to point out that we took the state in the legislature [assembly] and the state senate and the majority of congressmen. Even with their 1950 apportionment done by the great [Laughlin E.] Lock Waters, now a federal judge--I always tease him about it when I see him--we still won.

de GRAAF: In 1958, you mean.

NEVINS: In 1958, we won the whole banana. I think the reason for that is that we did develop a viable organization; we did shake off the communist thing, which was a serious problem to deal with. And we were closer to the people. The Republican party was pretty dead. It had a lot of old people in it and it didn't have any vitality to speak of at all. When you went out and started campaigning seriously, you found that a few cheesy PR men was all there was to the Republican party. When you got through the first layer of them, you suddenly found that you were out there, the world was a bowl of cherries. I mean, I knew I was going to win once I got the nomination in June of 1958. When you added up the votes that could have voted for my opponent and the votes that voted against him, you knew that, with the bigger number that voted against him, I was going to get all those votes and I was going to win in November. I knew that my opponent was not a very popular person, so he couldn't carry it on his own thing. He thought he was an incumbent and that's going to do it for him, and I don't think he ever realized he was going to be defeated until after the election night, I really don't.

de GRAAF: Now, before we get to the election, one other phenomenon, and that is that, as you say, the running of Adlai Stevenson--his first campaign, in 1952--seems to have reinvigorated local Democrats. One manifestation of this were the Stevenson Clubs. Now, were they same as or different from the Young Democrats that you were associated with?

NEVINS: If you had any Young Democrats, they were chartered by the California Federation of Young Democrats. We had the approval of the [state] Democratic Central Committee to charter clubs, which we did. And that is where our authority came from was from the state central committee that chartered clubs. We always had good connections with people in the state central committee. State Senator George Miller was the chairman of the party. He also was one of the people who helped the California Democratic Council get started, which was supposed to get clubs chartered for people generally, not just young people. So we were sort of moving together and not really competing that much until it was a question of are you going to be a CDC club, which was usually chartered by the counties in which they were located, although some had no charters from anybody because the county committee didn't do anything. But we recognized clubs whether they were chartered by the county committee or not. Now, in L.A. County, the county committee itself, under Richard Richards, who, as you know, just died, had people out chartering clubs, and they started about 200 clubs.

de GRAAF: In L.A. County alone?

NEVINS: In L.A. County. Not all of them survived but, I mean, they chartered a lot of clubs.

de GRAAF: Then the Stevenson Clubs, that was just a name that was used?

NEVINS: The Stevenson Clubs were usually the campaign organization.

Let's say we had to have a campaign in Pasadena, we had a Stevenson Club. So what happened was, that was sort of the campaign, because there wasn't any other campaign. Remember, the [Estes] Kefauver delegation won in the 1952 primary, and when they came back, they ran away from the campaign. They wouldn't have anything to do with the campaign. That's typical of what happens when the loser comes back: the delegates just disappear; you never see them. So somebody had to run a campaign. So these volunteers just came out of the woodwork and started the campaign.

de GRAAF: And the Stevenson Clubs sort of faded away after the primary campaign?

NEVINS: They became county committee clubs and they may have changed their name to. . . . I forget. We always had a club in Pasadena, Franklin D. Roosevelt Club, but there'd been another one, the Sunset Democratic Club, and they were merged in the fifties. But it had been in existence before. And then there were clubs in Altadena and Sierra Madre and all of that kind of stuff.

de GRAAF: You mentioned in the earlier interview your association with the formation of the California Democratic Council. Did you remain active in that after 1953 and 1954?

NEVINS: OK. The rules were set up in the California Democratic Council that Young Democratic Clubs could become members of the California Democratic Council. The leaders of the

California Federation of Young Democrats, CFYD, as we call ourselves, encouraged all clubs to be in the California Democratic Council. The way the charter of the CDC was organized, we got to be voting members in the conventions, and I, as an officer of the Young Democrats, attended CDC board meetings. We always kept our hand in the organization and had a lot to do with what went on in the CDC. And Toby Osos, for instance, did the same when she was president. So we were always tied closely to it and identified with it, although we were a separate organization and did a separate organizing job, had our own conferences and all that sort of thing. So they went together. What we were trying to do was to invigorate the party, trying to get candidates in every district, trying to develop a platform for the Democratic party in the state, and trying to make it so people felt there was a Democratic party. I think we succeeded in that.

de GRAAF: Once you became an elected member of the Board of Equalization, you still were active in the presidential campaigns of the Democratic party. Did you also remain active in CDC?

NEVINS: I tried to remain active in CDC. I even was credentials committee chairman at one of the meetings in Bakersfield. I don't remember what year, but it would have been in 1961, 1962, somewhere along in there. But somewhere along the line, the CDC just seemed to go off the reservation. There

was a publisher from a paper down in San Diego. I can't remember his name, but he was a very nice fellow, actually. But when he became president of CDC, I don't know, I just stopped being very active. I just drop in on the conventions, that's all anymore. I never took another real heavy role in it. I was pretty disillusioned with my role as credentials chairman in the convention at Bakersfield. What happened was that the people that ran the CDC at that time were sort of the directors, and they were elected from districts. What they wanted to do was have a very complex system of choosing delegates so that they would get the guys they wanted in who would reelect them as directors. Well, they got such a complicated system. I said it just wasn't practical. What you ended up with was the clerks at the desk were going to become the credentials committee chairmen because the credentials committee simply couldn't handle the mass of specialized detail. They wouldn't listen to it, so that's exactly what happened. Then, the director would then sign something, and that made somebody a delegate. Of course, the person, in effect, was signing people that were going to vote for him, and the organization became sort of sterile after that. It hadn't, really, made the adjustment from being the party of the "outs" to the party of the "ins," and that's a problem. And we still have the problem in California that when you have the party of the "ins," the

NEVINS: incumbents are not too friendly to have a lot of vigorous party activity in their district because you could have people who might run against you, right? So there's a tendency not to have activity in incumbent Democratic districts. That's one of the problems right now. This is the problem that Jerry Brown faces as the state chairman is that he's being put in by the Willie Brown people, and those are the very people that don't want any action in the districts. This goes to the point--I'll raise it on your time--is that Republicans are always talking about "We get more votes for congressmen and assembly and state senate than the Democrats do, and yet, they control most of the seats." Well, the facts are that, sure, that's true. But the districts are divided up by population, not by voter. In the black districts, for instance, the vote will be like 20 percent of what it is over here in Pasadena. I used to get more votes here in Pasadena when I was running for Board of Equalization, more votes than I would get in, say, that Teresa Hughes district. Where I'd get 90 percent of the votes in Teresa Hughes's district, I may get 40 [percent], 50 [percent], 51 [percent], 52 percent over here. But I always got more votes here even though I got my 90 percent down there. And that's the problem in a nutshell. And I think that the [Michael S.] Dukakis people recognized that and started to do something about it. They realized

NEVINS: they were losing the election in two or three places, one, in the downtown areas. When he [Los Angeles Mayor Thomas A.] Bradley ran for governor the first time, he lost it in his own area. The whole election was lost right there. Then, they realized they had to do a little better in the suburbs and in the farm areas. But the Dukakis people got kind of confused in the end and didn't get the picture. But they did more work at the grass roots level than prior presidential campaigns and they got a much better result. They came within 4 percent of winning California.

de GRAAF: First of all, a personal comment. What led you to select the State Board [of Equalization] as the office to run for in 1958?

NEVINS: The company I'd been with, Marsh and McLennan, merged with a local broker called Cosgrove and Company here in Los Angeles. The way the merger worked out was, Cosgrove's office in San Francisco would sort of merge underneath Marsh and McLennan there, which had a major office in San Francisco. And the Cosgrove office, which was bigger than the Marsh and McLennan office in Los Angeles, the Marsh and McLennan people sort of went underneath the Cosgrove people. In other words, the Cosgrove people got all the promotions, and we didn't. That's a signal in the corporate world to buzz off. So this merger happened about 1955, 1956, as I remember, somewhere along in there. I felt that Marsh and

McLennan had treated me very kindly and that I should help them do the mechanical part of merging, and I pretty much finished that by February of 1958. In the meantime, my wife and I had started looking for other jobs for me, and we realized that because I'd been active in the Democratic party, I knew how to get nominated--endorsed is the word they used--for a public office. We looked around at different ones, and the Board of Equalization seemed to be the one that I could get in. It would be an interesting job. I did a lot of spadework on finding out what the board was all about and decided to get the CDC endorsement for that, which would have been in January of 1958 in Fresno. I got it pretty well lined up in Fresno, and then the meeting ran out of time. So we had to come to Los Angeles. There had to be an endorsing convention for Richard Richards, whose district included L.A. County, to be renominated and reelected to the state senate. So what the CDC did was have an endorsing convention for [the member of the Fourth District] State Board of Equalization, which included eight counties of southern California, and the state senate. Of course, Richards got the endorsement easily. Mine was contested, but I won it. Once I had that, that pretty much put me in a position to win the primary. So you can say that my job problem at Marsh and McLennan and the fact that I had had the experience and knew how to get the endorsement were the things that put me in a position to

NEVINS: run. This was an office that I felt I could get the endorsement for. I don't think I could have gotten the treasurer's job, although I might have been able to beat out Bert Betts on that. But I decided that I wouldn't go that route.

de GRAAF: Had you known any Board of Equalization staff or county assessors before you ran?

NEVINS: No, I never met any of them before.

de GRAAF: Just one aside that's very relevant to today. Did the compensation for the Board of Equalization represent a significant dropdown, or was it comparable to what you had been making in the insurance brokerage?

NEVINS: I was making \$625 a month, which worked out to, what, \$7,500 a year? The board paid, I believe, \$16,000, so I got a substantial increase.

de GRAAF: So in those days, at least, public employee salaries were quite substantial.

NEVINS: Don't forget, I was going from a relatively low position at Marsh and McLennan to the top of the pile in a state department. So that's what happened there.

de GRAAF: We need to give future readers of this interview some sense of the structure and functions and evolution of the Board of Equalization, so I'd like you to particularly think of the period before you actually came on board, before 1959, and comment on some of these aspects. First of all, the general

structure. Would I be right in saying that the pre-1959 structure, before it was reorganized, where you had a Division of Highway Tax and a Division of Sales Tax or a Division of Beverage Tax and several different divisions, like Assessment Standards and Valuation that seemed to revolve around the property tax, that that sort of reflected the way board's duties had grown, [that] when they got a new tax, they'd make a division to handle it?

NEVINS: Let's just go back to the twenties. In the twenties, when Dixwell Pierce became the executive secretary of the board--I think it was about 1926--the board had twenty employees. They were administering a gross receipts tax on public utilities, measured by their total sales, whatever it was. It was some Mickey Mouse rate. They had a gasoline tax that they were administering that was on the major oil companies, [who] were the principal payers, although there were about 100 other companies in the gasoline business at that time. So the department was very small. As you recall, when the Depression came along, there suddenly became a great shortage of cash in government in California, meaning state and local government. So new revenue resources had to be developed. The corporate income tax, the tax that we're familiar with today, had been finally put in place about 1930. But it wasn't a big enough revenue source to do what needed being done. So the Riley-Stewart [tax] plan that you talked about

came in, and it originally had an income tax component. But the then Governor [Frank F.] Merriam vetoed that part of the program and took the sales tax part,<sup>1</sup> so that got you the Sales Tax Division. And then there was a transportation tax that was put in that was a gross receipts tax on truckers.<sup>2</sup> That tax came in about the same time as the sales tax. Then, there was a complementary tax on diesel fuel that was put in with the Gasoline Tax Division.<sup>3</sup> Diesel fuel had not been used extensively on the road until sometime in the thirties. There had been diesel engines in the ships and on stationary bases, but I don't believe there were any on the road until basically into the thirties sometime. There were a lot of other little Mickey Mouse taxes that just didn't amount to a hill of beans. There would sometimes be a separate department and sometimes not. Now, let's go to the organization at that time. Our board was organized the way tax commissions were organized in other states. In other

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1. The Retail Sales Tax Act of 1933, S.B. 1211, 1933 Reg. Sess., Cal. Stat., ch. 1020.

2. The Motor Vehicle Transportation License Tax Act, S.B. 125, 1933 Reg. Sess., Cal. Stat., ch. 339, approved in 1933 revised earlier vehicle license taxes by charging a tax equal to 3 percent of gross receipts on all operators of vehicles transporting persons or freight for hire. Popularly known as the "truck tax," it was long criticized as inefficient and inequitable, and was repealed in 1973.

3. The Use Fuel Tax Act of 1937, A.B. 1907, 1937 Reg. Sess., Cal. Stat., ch. 352.

NEVINS: words, we weren't the first state with a sales tax, so we had tended to copy the successful administering of the sales tax someplace else because Dixwell Pierce knew about these because he knew the tax administrators in other states. In fact, shortly after the sales tax was started, the National Association of Tax Administrators was started, and Dixwell was a founding member. The purpose of that organization was to share ideas and problems and try to work out solutions. So that's the way things were organized in that day, but they were organized everyplace like that. They were organized by function of the duty, so you'd have the vertically integrated organization that would be identical to the one next door, and that was the way things were done. It had its good points and its bad points.

You've got to remember that when you establish a tax, especially in those days, it was usually subjected to intense attack in the courts, in the public arena, so you had this feeling that you had to develop tremendous expertise in order to make the tax stick. You couldn't just put the tax in and think, well, gee, you're going to collect it. You had to really do all kinds of political PR and everything else. You had to have your mechanics in line, you had to have your legal stuff in line, because you were going to hit the courts for sure. You had to be able to be assured that the tax was going to stand the scrutiny of the courts.

de GRAAF: So did that become a function of the early Board of Equalization?

NEVINS: Dixwell was a very sophisticated lawyer and that was one of his major roles in tax administration was to get the tax laws drafted and administered in such a way that it was just attack-proof in the courts. Of course, the sales tax was immediately attacked and, in a series of decisions, the court upheld it. One of the principal attacks was on the fact that you can't get an exact. . . . I think the rate was 3 percent, I've forgotten what it was.

de GRAAF: Two and a half at first, and then three percent.

NEVINS: Whatever it was, you can't get an exact measure of that tax on [a] low amount of sales because there's no coin. I think it was something like *De Arian v. Acres*.<sup>1</sup> The issue came, "Can the state impose a tax where the taxpayer can't pay it in an exact amount?" The courts said it shall be sustained that the state has done the best it can to organize a repayment schedule and that will sustain the tax. Of course, judges tend to sustain taxes that are going to pay their salaries, so you can say that that's how it got sustained. But the courts in California--I want to make this very

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1. No such case found in California Appeals or Supreme Court cases, 1933-37. The 1933 Retail Sales Tax Act was found to be constitutional in *Roth Drugs, Inc. v. Johnson*, 13 Cal. App. 2d 720 (1936).

clear--have generally sustained tax administrators if they have a reasonable scheme. If there's a sound legislative foundation for their position and they have given the taxpayer all the benefits of doubts, then the courts tend to support the tax, and that's been true ever since I was a tax administrator and all the cases I know about going backwards. The one that didn't get sustained was in the corporate income tax level. That was just before I was here. Dixwell was the one that devised the scheme we have today. He wrote the law, period.

de GRAAF: Now, the property tax was something else that I think needs some clarification, because way back in the nineteenth century, that had been pretty much the tax in the state.

NEVINS: Right.

de GRAAF: And then around 1910, it became completely a local tax.

NEVINS: Separated sources, right.

de GRAAF: Is that what that means, that certain types of taxes go totally to the local and certain other taxes go exclusively. . . . And that remained a dominant thing until about 1933?

NEVINS: What happened was that the utilities, the only tax they paid was this gross receipts tax. That word always bothered me; it sounds like going to the grocery store and getting something that was gross space receipts tax. Apparently, the state had a difficult time administering that tax and paying

the money back to local government. The mechanisms to do that, which are, of course, in place now and it's not considered a problem, were not in place at that time. So that one of the schemes that came out of the Riley-Stewart program was to have the state Board of Equalization assess the public utilities, and that was part of the constitutional amendments that went along with the Riley-Stewart program.<sup>1</sup> Then, the value that they put on a roll, the tax would go to local government. This went into effect in 1935. The constitutional amendments were passed in 1933 but, of course, it took some time to get the scheme in place, and that was another one Dixwell helped organize and got the best people he could to set that department up. And he set a high standard of assessing, which we have retained to today. But that was part of that program, and that got the board involved in property taxes again, seriously. At the same time, the legislature became aware that local assessing needed some improvement, and so this Assessment Standards

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1. Part of the Riley-Stewart Tax Plan was S.C.A. 30, 1933 Reg. Sess., Cal. Stat., ch. 63, which amended sections 14, 15, and 16 of Act XIII of the California Constitution. These amendments gave the legislature broad powers to tax "any and all kinds of personal property and essentially set up a series of 'in lieu of' property taxes that set up much of the modern tax structure of the state." California Senate Interim Committee on State and Local Taxation, A Legal History of Property Taxation in California (Sacramento: State Senate, 1955), p. 50; Constitution of the State of California Annotated, Paul Mason, comp. (Sacramento: State Printing Office, 1946).

NEVINS: Division was started. Actually, I don't think it was done until after the war, but a unit like it was in place in the thirties. Then it was increased in the forties, especially after World War II, when the assessors did not put the new values on the roll that had come about because of the inflation of land value that occurred right after World War II. The school people were complaining that here we were supposed to start all these schools and educate jillions of kids and we don't have any revenue from the property tax, which is about 60 [percent] or 70 percent of our revenue source. It just wasn't delivering what it could or should, so the legislature put the heat on the board, the board got more staff, and a series of things occurred in the early fifties to increase property taxation at the local level. I came in on that in 1959 and carried it on.

de GRAAF: So what you're saying is that the state Board of Equalization, from the Riley-Stewart plan in 1933 on, gradually became more and more involved with property tax.

NEVINS: Yes, it did.

de GRAAF: There are some other things that I think it would be interesting to know how important they were by the late fifties. One of these, I notice, in the late nineteenth, early twentieth century, railroad property assessment seemed to be a very prominent part of the board's work. I hardly read about it in the late fifties or sixties. Was it still important when you came on?

NEVINS: Yes, it is. The railroad values as a part of the total assessment roll of utilities kept dropping. It's around, probably today, 6 [percent] or 7 percent of the state roll, as we call that. It has all the various utility prices the board assesses, including railroad. Now, railroads have been involved in an extraordinary amount of litigation with the board that started about five or six years ago, and they got the Four R Act [Railroad Revitalization and Regulatory Reform Act of 1976] passed in Congress, which permitted the federal courts to become involved in the assessment of railroads at the state level. The railroads have taken advantage of that and gotten their assessments reduced rather substantially. But in California, if the railroads would have paid everything that we would have assessed them, they would have paid around \$20 million a year in property taxes after the passage of Proposition 13 with the 1 percent rate. They're going to pay, with all the federal adjustments, between \$8 [million] and \$12 million, which is roughly what a major office building would pay in property taxes. In other words, the Bank of America Building probably pays about the same as all the railroads pay in California.

de GRAAF: And that's kind of recent.

NEVINS: That's a very recent thing. I think there's going to be some PR flak out of that. I haven't seen anybody actually do it yet, but somewhere along the line the cities are going to

start getting rid of railroads because they're just a detriment to cities. There's no taxes. I could see a lot of the bright planners saying, "Let's get rid of these guys. They're bummers."

de GRAAF: By the fifties, railroad property assessment was part of general utility property assessment.

NEVINS: Yes, it's a utility. In California, it's regulated to some degree by the Public Utilities Commission. Not very much, but some.

de GRAAF: That brings up another aspect that I think is bound to be confusing to some people: utility taxation in general. Now, I gather, in contrast to corporations, what the Board of Equalization does with utilities is to assess the value of their property rather than their annual net or gross earnings?

NEVINS: That's right. We had the gross receipts tax before and had difficulties on the distribution of the revenue, which became a legislative and board administrative problem. When you assess the property that is found, the market value of the property was assessed at the site it's in. That is, where that property is actually located. You didn't apportion the whole value of the system over the state on some formula; wherever it was, that was it. That, by the way, has been changed somewhat over time. I believe now the state assessed property is assessed over the whole county. But that's a post-Proposition 13 gimmick, and you have to think deeply to

get to why that's not an illogical thing to do. But anyway, that's the way it is now. But during the time I was on the board, most of the time I was on the board, if you valued a steam plant, basically the county or the school district that had the steam plant got all the value of the plant, even though the product of the plant would be delivered all over the place. So if you were smart, you got a steam plant in your district. I mean, a lot of people did that.

de GRAAF: How did you figure out the value of the land that was used for steam plants, say, in comparison to the rule of the highest possible use effect that property might have been put to that was common in other property tax?

NEVINS: All we did with utility property--and they still do--is, they find the value of the land that the utility is on. Usually, utility land is, in most places. . . . Like, it's office buildings and stuff like that, for instance, for the telephone company, which is by far the biggest utility in California, about twice as big as the Bank of America. Most of the property is like what other people's property is like. I mean, it's an office building, it's land, it's parking, all kinds of stuff. So you use the comparable value of other office space around, and that becomes one of the components of the value that's put on the roll. Then we value the whole system and then deduct from that system the

land value, which will be put on the roll just the way local assessors enroll business property.

[End Tape 3, Side A]

[Begin Tape 3, Side B]

NEVINS: Let's make sure that this gets on the tape, that the apportionment is done on a replacement cost, less depreciation and all that, and a formulaic apportionment of the value of the utility statewide is then taken down. The land value goes on at whatever the land value is. Now, on railroads, the land value, of course, is more than the value of the railroad, so that what you have to do is factor the value of the land down in order to show some value for rails and all the other [things], cars and locomotives and that kind of stuff. This is one of the problems with rail valuation is that the scrap value of railroads vastly exceeds their going concern values. This is why these people are buying the railroads: they recognize that and they're going to realize the value of the scrap--in other words, the land.

de GRAAF: In time it may be covered here, but I need an explanation. In the utility tax appraisal, there is a differentiation between unitary and nonunitary property. What do they mean by that?

NEVINS: Nonunitary property is property that's owned by a utility and it's not used in their utility business. Edison Company owns a considerable amount of land which they intend to put in

their utility business, and they have a separate company that holds that. The Southern Pacific has a lot of property that was railroad property [that] is not being used now in the railroad property, so we put that on a nonunitary basis and we value that at market value. It gets reappraised every two or three years, which they object to, but the courts have upheld our doing that, although they all screamed and hollered. They said, "Well, Proposition 13 took over," and the court said, "No, it didn't." The authors of Proposition 13 specifically left out utility property; they use property assessed by county assessors. And that took care of that issue.

de GRAAF: Good, that clarifies that. Now, that brings up another interesting point that might be confusing because one annual report startled me until I read it carefully. I think it was the 1959-1960 one that said that utilities owned over one-half of all state-assessed land in California. But that, of course, is excluding all of the land county assessors assess.

NEVINS: That annual [report] would have been written by Dixwell Pierce, and I ask you to go and read that over again, because that doesn't make sense, what you just told me.

de GRAAF: Utilities would have owned over half of the state-assessed land in California?

NEVINS: They own it all. I mean, state-assessed land is, by

definition, utility land. The constitution describes the utilities that will be assessed by the Board of Equalization. It doesn't include airlines, for instance, so they're not assessed by the board. But it does [assess] telephone and telegraph companies and electric power companies and railroads: those are the principal ones that we assess. It also has oil pipelines and it goes on to talk about intercounty pipelines, so that they are involved in this.

de GRAAF: But there would be no type of state-assessed land other than utilities as of 1959-1960?

NEVINS: Not that I know of. Remember, Dixwell Pierce reviewed every word in that. There's no error there; I think you have an error in interpretation.

de GRAAF: Could be. Another tax that sometimes has had its own issues has been the motor vehicle tax, the gasoline tax that dates back to the early twenties. What I'd like to know is, up to 1959--we'll deal with post-1959 later---do you recall that there had been any efforts to switch that from a tax whose revenues were earmarked for highway maintenance and development to the general fund?

NEVINS: There were a lot of intellectual conversations but I don't believe any real legislative effort ever occurred that amounted to anything. There were no bills to do it. But the tax at that time was very productive. The gallons per mile

was declining. In other words, you used to get maybe twenty miles per gallon, then cars were coming out and getting ten miles a gallon. So the gasoline tax was growing very rapidly in the forties and fifties. I mean, in the late forties, after World War II. It was terribly productive and easy to collect. People wrote articles in the newspaper but I don't recall any legislative effort of any consequence.

de GRAAF: One other thing that seems to be a perennial issue. Way back in 1929, there was established a state franchise [tax] commission [that] later became state Franchise Tax Board.<sup>1</sup> At that time, I gather from some early history, there was talk of either getting rid of the Board of Equalization or wrapping the Franchise Tax Commission and the board into one Department of Revenue. One passage I read said that was the first of about forty times that that idea would be raised up to 1979.

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1. The Franchise Tax Commission was created in 1929 under the Bank and Corporation Franchise Tax Act of that year, S.B. 509, 1929 Reg. Sess., Cal. Stat., ch. 13. The enactment of Sec. 16, Art. XIII of the California Constitution in November 1928 had legalized state taxes on the net income of banks and corporations, and the 1929 statute implemented this amendment. Thus began a policy of dividing state tax administration between a Franchise Tax Commission and the Board of Equalization. This division became more equal with the enactment of a state personal income tax, A.B. 1182, 1935 Reg. Sess., Cal. Stat., ch. 329, and a corporate income tax, A.B. 1243, 1937 Reg. Sess., Cal. Stat., ch. 765, both of which were placed under the Franchise Tax Commission. In 1949, the legislature abolished the civil service position of the Franchise Tax Commission and replaced it with a Franchise Tax Board composed of the controller, Director of Finance, and chairman of the State Board of Equalization.

NEVINS: That's correct. The original concept of the franchise tax commission was to be the forerunner of a single revenue department and to get rid of the Board of Equalization, period. No question about that. It didn't do that.

de GRAAF: A sidelight. Did most other states have that sort of setup, a tax commission which was in lieu of the Board of Equalization?

NEVINS: There are only, I believe, one or two other states that have elected tax officials of any consequence. I believe North Dakota has a state elected tax commissioner; he's now a United States senator. Kefauver was an elected tax commissioner. Maryland has an elected controller who is, in effect, the tax collector for the state. The man has had the job for thirty years now and always goes to the Democratic National Convention. He's the oldest delegate now. He's been to the most conventions, even more than the secretary has. But most states have a department with a gubernatorial appointment, and that is the typical thing. It's either called tax commissioner or revenue department or department head or something like that. I would say, of the fifty states, probably forty-five, forty-six have some organization that is like that, and elected people are pretty scarce.

de GRAAF: Are there very many other states which pretty much divide their tax administration in half, part of it to a group like the California [Franchise] Tax Board and part of it to the Board of Equalization?

NEVINS: I'd say that today maybe only three or four states do that. I'd say that most states have a single department of revenue that administers all the taxes, including property taxes, whatever state role there is in property taxes. That's certainly true in the states around us: Nevada, Oregon, Washington, Idaho. I don't know too much about Montana. There's a little division in Colorado but not much. Arizona has a tax commission; [so does] New Mexico. Texas has an elected controller. They don't have an income tax but he administers just about all the taxes that they have in Texas.

de GRAAF: Now, is this rather unique situation of California's equally true in the other fifty? Do very few other states have two different top boards?

NEVINS: In some states, the gasoline tax is administered by the motor vehicle department, and this has caused us some difficulty at the National Association of Tax Administrators. We've always had to have a separate unit dealing with motor vehicle taxes because we weren't dealing with tax commissions, we were dealing with the motor vehicle department. But I would say that, beginning in the sixties, certainly the consolidation was pretty much uniform throughout the United States.

de GRAAF: That being the case, how do you account for the failure of California to make such a consolidation into one department of revenue.

NEVINS: Remember that we had that great legislator named Caspar Weinberger, and he was a very bright, capable young man, and he got going with the need for a department of revenue, a report that I'm sure is in your library someplace.

de GRAAF: Was this in the sixties?

NEVINS: This was in the late fifties. He ran for attorney general in 1958 and was defeated in the Republican primary. But he headed up a legislative effort to create a department of revenue and published a well-written report, the last really well-written report, by the way.<sup>1</sup> What happens here is that in order to wipe out a department like the Board of Equalization, you've got to do two things: you've got to, one, show there's a scandal; and, second, you've got to show that there was a serious waste of public resources. There was a scandal in the Board of Equalization in the fifties, but it was difficult to show that it was a waste of public resources. But one result that came out of the need for the department of revenue was an internal reorganization by the board that was completed by the new board members in 1959 based on the work that had been done in 1957 and 1958. So

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1. "The Need for a Department of Revenue in California," Report of the Subcommittee on Governmental Organization, Caspar W. Weinberger, chairman. Assembly Interim Reports 1953-1955, Vol. 12, No. 1 (February 8, 1955). Ed. Note: Weinberger has reaffirmed his position on a Department of Revenue since the 1950s. See, for example, his comments in the Final Report of the Commission on Government Reform (January 1979), Appendix C.

one of the things we did is, we just carried through the reorganization. This muted the criticism. First, it said that we could do the work ourselves and, secondly, the savings that were going to come out just sort of began to evaporate. Basically, California's cost per \$100 of revenue or any of the other measures you want to use are very good. I mean, we are very effective tax administrators and administrators generally. We lead the country, on a quality basis, on just about every tax we have. Other states copy us, that's what happens. It's sort of embarrassing to go to meetings where we're talking about the mechanics of tax administration and have these guys talk about this new thing they're doing that we've been doing for ten years. But I'll say this, that tax administration in the United States has improved drastically in the last ten years, drastically. Every state now has effective audit programs, effective ways to audit companies that are doing business within and without the state, have good ways to put liens on taxpayers. Like, Massachusetts used to have a miserable tax system, and this fellow that ran for president on the Democratic ticket [Michael S. Dukakis], one of the things he takes credit for is improving his state tax [system]. He brought it up to about where we were ten years ago, somewhere along in there.

de GRAAF: Now, to conclude this review of the board before you went on, some comments on prominent board members. You've already

said some things about Dixwell Pierce, who was the executive secretary from 1926 to 1963. First, I think we'd like to know what exactly is the function of the executive secretary of the Board of Equalization?

NEVINS: He is the director of the department in the way that any department has a director in the state service, and you'll find all departments are pretty much organized the same way. There's usually some board or somebody that is an advisory function or the governor has a cabinet secretary or any gimmick you want to have. There's somebody in the department that signs all the employment checks and is in charge, and when you want something to happen, you call him up and say, "Do it." When the new legislation comes in, he's the one that's responsible for getting it budgeted and getting it in place and getting it done. When the legislators want somebody to say, "You didn't do it," they don't call the elected board members. They call on this director and say, "Why didn't you do it? We gave you the resources, why didn't you do it?" He's the one that prepares the budget, does all the other stuff, and carries the day-to-day activity of the state department and keeps it going. That's the role the executive director plays. That's what the person is called now. She is a woman, and she found that executive secretary was not the right title for a woman, so she now calls herself, she can have a working title of, executive director.

de GRAAF: That's just happened in the last couple of years, hasn't it?

NEVINS: Yes, since Cindy Rambo was appointed. So that took care of that.

de GRAAF: I've heard Pierce referred to as the "Father of Modern California Tax Legislation." Think that's a fair . . .

NEVINS: That's a fair and honest assessment of the man, really.

de GRAAF: You mentioned earlier he was first to propose an income tax in the state?

NEVINS: He was one of the people who helped draft this Riley-Stewart program. Fred Stewart was a member of the Board of Equalization from Oakland, and Fred was a powerful politician. He knew how to get things done on the legislative and gubernatorial scene. Ray Riley was the state controller and he wanted to become governor or something, God, one of those guys.

de GRAAF: Was he a Republican?

NEVINS: They were both Republicans. So the two of them worked together to get this program going because, obviously, it promoted them. Dixwell was the one that did the mechanical, background work to make it go. It got named after them but he did the work. He and a bunch of other bright lawyers in the Sacramento area put this thing together. It had the income tax component. The income tax was passed, as you

know, about 1935, in a slightly amended form, and the governor signed it.<sup>1</sup>

de GRAAF: So he was the father, then, of sales tax, income tax?

NEVINS: Corporate income tax. Property tax, the kind of property taxes we have now in California.

de GRAAF: The department grew in staff greatly during the . . .

NEVINS: There were 22 people to 2,000 in one day.

de GRAAF: In one day?

NEVINS: In one day.

de GRAAF: When did that happen?

NEVINS: It happened the day after the bill was passed. Each legislator that voted for the bill got the right to give the names of something like 6 people. Those who voted for the bill got to make appointments to the board, and Fred Stewart took care of that.

de GRAAF: You mean taking on sales tax and so forth required that much more staff?

NEVINS: Yes. We only had 22 people.

de GRAAF: From 22 to 2,000, that's quite a jump.

NEVINS: Right, it is. What they did is, the legislature went out of session, so they took the assembly chamber and used it as a judicial office, and they used the waste baskets as a filing

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1. Personal Income tax Act of 1935, A.B. 1182, 1935 Reg. Sess., Cal. Stat., ch. 329.

system. What they did is, they went out to all the chambers of commerce in California and asked them to help get permits to all the businesses in their area. We started working with businesses right off, the California Retailers Association and all the other business groups worked with the board to locate their members and all the other people, and people drove up and down the state going to the different chambers of commerce getting the permits and issuing them to the people in business. So then they brought them back to Sacramento with a dollar. It cost a dollar to get a permit in those days, and they had wastebaskets full of dollar bills. Anyway, they got the system going. It was a manual system. I don't remember how many permits they had. They probably had 60,000, 70,000, something like that, maybe more, I don't know. The state had about 3 million, 4 million people in those days.

de GRAAF: Come to think of it, I guess getting a sales tax system going is not something you do overnight, is it?

NEVINS: They did it very rapidly. The way they did it was, they worked with people, and that became the policy of the board after that and has been followed today. You work with the businesses; you don't just take them head on. So we have some kind of relationship with every kind of business you ever heard of in California.

de GRAAF: Another name that's mentioned as having been responsible for

some of that 1933 legislation is Roger Traynor, who later became chief justice of the [California] Supreme Court. Did you ever work with him or know of him?

NEVINS: I met him once. My understanding of what happened was that Dixwell Pierce, after he had drafted the legislation, needed somebody to draft regulations, so he hired Roger Traynor as a consultant to the board. Roger, at that time, was a professor of law at Boalt Hall in Berkeley, and he used to come up two or three days a week to work on these regulations. He had a couple of other people who worked with him; there were about three other fellows that worked on these regulations. They, about 1935, got most of them drafted. So Traynor, of course, knew a lot about state and local taxation from that, so when he was on the supreme court, I used to accuse Dixwell of calling him up and telling him how to write the decisions. Dixwell just smiled wisely; he never said he didn't do it.

de GRAAF: Do you recall that Traynor was particularly active as a supreme court justice in tax cases?

NEVINS: Yes, he was. We usually have about one big case every two years and, as I recall, he wrote two or three of them and sustained the board pretty much every time.

de GRAAF: Are there any other figures from the period before you came on the board that you think merit mention as having shaped California's tax policy?

NEVINS: Offhand, I really don't know. There were all these commissions, and somehow they never seemed to have a lot of effect on what actually happened. They usually were a symptom that showed that something was wrong, that something needed attention. But most of them never really got down into the bill drafting and really getting something practical done, unless the governor wanted something done. Usually, when the governor wanted something done, why, that's where Dixwell came in. The governor would get Dixwell and say, "I want a sales tax law." The governors in those days played much more of a role in legislation than [Governor George] Deukmejian does today. The bills in those days were written by two group: either the governor or the lobbyists wrote the bills. Legislators themselves didn't write bills.

de GRAAF: Is this true of governors like Merriam?

NEVINS: Yes. All the governors wrote the legislation. There was no such thing as legislation written by legislators in those days.

de GRAAF: Of course, legislators were part-time.

NEVINS: They were part-time; they had virtually no staff. Unless a legislator himself was a very good lawyer, chances are he couldn't get a bill written. He could use the Legislative Counsel Bureau, but that was quite a small operation in those days. Most bills were written by the governors. The big legislation was always by the governor. So Dixwell, in effect, was the governor's man, on that stuff.

de GRAAF: That adds to his importance, doesn't it?

NEVINS: Oh yes.

de GRAAF: Now, has such a significant role been as true of his successors [Herbert F.] Freeman, [William W.] Dunlop, or [Douglas D.] Bell?

NEVINS: No, they never played that role. By the time they came in power, the Unruh type reforms were underway and the legislature started having its own capability. A governor's role was diminished somewhat in law writing, and the legislature started having hearings and writing their own bills, and that's a big change.

de GRAAF: So therefore it's actually quite symptomatic of where tax legislation lay to talk about a Riley-Stewart plan in 1933 but an Unruh-[Nicholas C.] Petris Bill in 1965.

NEVINS: You got it.

de GRAAF: It's an interesting change. One other way of describing the board historically from one of your annual reports was to categorize its functions. This is a categorization which was done around the early seventies. What I'd like to know is whether it was valid of the earlier board when you came on. The first category is that it was an administrative body. It developed, for instance, capitalization rates. Was that for the business tax?

NEVINS: Capitalization rates were developed for valuing the utilities. Basically, the cash flow of the utilities is

capitalized to get a market value. That's one of the legitimate ways to value any business.

de GRAAF: This was basically an administrative function, would you say?

NEVINS: Yes.

de GRAAF: Is it staffed pretty much . . .

NEVINS: The staff [of BOE] did that. They gathered the information to do that. They got all the financial publications and worked on companies of this size and other utilities around the country and so on and came up with the capitalization rates.

de GRAAF: Did board members have any function in that? Did they review the rates that the staff drew up?

NEVINS: The board members--and that's one of the issues today in Sacramento--tended to change the end result or weight the values differently than the staff did. In other words, the staff would give you three or four different values and then they would recommend an assessed value, and the board might use a different weighting and get a different result.

de GRAAF: Was this in part because the board was in a position to take into account some of the broader effects besides taxation itself that these capitalization rates might have?

NEVINS: That's the position the board members take today. Going back to 1957, 1958, before I came on the board, there had been a study of the board's assessment procedures. I'll try to recall the name of the thing; it was named after a legislator

[Coolidge Committee Report]. Some people who had studied this problem throughout the country looked at California and felt that we had a basically sound system and recommended that the board give equal weight to capitalized income, to the replacement less depreciation costs--the values for rate making purposes--and the stock and debt values. The theory behind that was the stock and debt would be most influenced by what the money markets are doing. The capitalized income would be a steadier value that wouldn't wander all over the place. But the rate base was very important because, basically, if the Public Utilities Commission was doing its job, the capitalized income and the rate base value should be identical. In the early days of valuing utilities--for me, that was 1959, 1960 up to about the seventies--the three values used to be very close, maybe within 3 [percent] or 4 percent of each other. So if you just averaged, you usually came out with a pretty good value. Then, as inflation came in, the stock and debt value tended to be very low. The stock market felt the companies weren't getting a proper return on their investments, so they just wrote them off. So the capitalized income tended to be the higher value, and that was the one the staff recommended, and that's the one that Bennett got so much involved in. I don't know how much of this you've gotten into but Bennett always was trying to get the highest value. He felt that utilities were ogres and

NEVINS: the way to punish them was to tax them. I'm in the middle, between the Bennett "ogre concept" and the [Paul] Carpenter concept that utilities are just a conduit for the taxes that are collected locally and they put them out on their ratepayers, and therefore the ratepayers are paying the high taxes and I don't want to be associated with high rates, so there you are.

de GRAAF: That's an interesting point because as this interview goes on, I want to get into some of the deeper thinking and politics behind what might seem to be purely dry administrative things. The second categorical function is that you were a quasi-legislative body, particularly in the rules you adopted to guide business and local government. I picked up a few of these rules that seem rather interesting. I wonder if you could comment on them. One was a motion picture rule.

NEVINS: Let's divide the administrative powers of the board between the property tax, which is a constitutional function, and the sales tax, which is a statutory function. When I started out on the board, the legislature was not very active in passing interpretive legislation. They passed some, but the volume of legislation that we have today wasn't present then. So what you did by rule making was you tried to fill in the gaps so that you could explain to a taxpayer what his obligations were. What you were taking was administrative practice,

court decisions, whatever statutory stuff there was and maybe whatever intellectual stuff there was out there someplace, and combine them into a statement that told the taxpayer, "This is how you do it." That's basically what a rule is. So that when you go to an assessment appeals board in the property tax field, you can quote board rules: "So-and-So says you do so-and-so." The assessors are supposed to do that; taxpayers are supposed to do that; [the] board's supposed to do that. The legislature has not played as great a role in property tax interpretation as they have in others. They have the absolute right to do anything with personal property because the constitution gives the legislature that power, but they don't have any in real property, which is land and buildings. They can put some stuff in, but, basically, that's where this quasi-legislature stuff comes from is the board operating in the property tax area where the legislature doesn't have the power because the Constitution didn't give them the power. On the statutory taxes, the legislature has the absolute right--I underline the word--to tax personal property any way they want. This really derives from George III, and don't let anybody kid you about it. It's in the Constitution, written in easy to understand English, that they have the absolute right to do it. Maybe it takes a two-thirds vote, and there's a bunch of junk with [Paul] Gann limitations, but the absolute power is

NEVINS: there, and that's it. You get the tax protesters going, and they have no intellectual standing because it just says so. If it didn't say so, because of the Tenth Amendment to the Constitution you get the absolute right because everything that's not provided for in the Constitution of the United States is given to the states, right? This is a power that came from the colonial governors; therefore, they have that power.

de GRAAF: These rules, are they somewhat akin to things you would find in the Federal Register, the Code of Federal Regulations at the national level?

NEVINS: Yes, they are.

de GRAAF: Except that California doesn't have one combined set of regulations like that, does it?

NEVINS: No. It does have what amounts to that now, a confusing sort of form that we have to. . . . We are assigned numbers and we make our amendments in a scheme that's put out by the OAL, Office of Administrative Law. So that you find them in whatever their scheme is, and ours, you notice, have certain numbers, 6,000 and all that stuff. But they're not that same as the federal IRS where the regulation numbers correspond with the statutory numbers. That's the difference. That makes it easier to handle the federal because you can look at the statute number and then you can get the regulations and have the same numbers and move from there. You can't do that

in California. You have to match them together. One of the ways that's supposed to be accomplished is by putting out the Revenue Code every year after the legislature's over. You're supposed to be able to go back, look at the Revenue Code, and see the new statutes and the regulations the board has adopted to implement the legislation. I don't think that works very well at the present time because OAL takes forever to approve the regulations, and the board hasn't been keeping the revenue code up the way it should. The board now have a contract with the legislature to do a thing like that. The legislative staff doesn't have much to do in the fall, so what we're doing is keeping those folks busy that will be writing and drafting bills in the revenue committees and the Legislative Counsel Bureau. What they're doing is updating the thing. It's all on data processing now, so it's easier to do that way. But they try to have all the references to legal cases, the board's regulations, and whatever the legislature's done, so you can go to this one thing and find out all that information. What we do at the board is publish a different summary tax law by tax law so that you don't have to get this big, thick book. You can just get the sales tax law and see all the stuff there.

de GRAAF: I've seen your publication on property tax law, for instance. It's quite clear.

NEVINS: That's used by assessors. We're required to do that because

NEVINS: that's the only way the assessors can ever get it. They can't afford to do it.

de GRAAF: One thing you were saying, that aside from the constitution or statutory rights, you are suggesting that, when the legislature was a part-time legislature, it did not make very detailed legislation, so the board had a great deal of function as a rule maker. Has this function declined somewhat since the legislature has [become full-time]?

NEVINS: Yes, very definitely. The legislature in the last fifteen years--really beginning somewhere about 1969, 1970, somewhere along in there--made it pretty clear that they didn't want the board making drastic decisions by regulation. We could make very minor decisions, and they would pay attention to it. Actually, all the board regulations go over to the legislature now, and there's a certain period of time where they go to committee chairmen, which means the staff of the committee. If they object, that can pretty much kill a regulation right there.

de GRAAF: But that was not the case prior to 1959.

NEVINS: We consider that an invasion of the executive and blah blah blah. But anyway, the facts are they have the power, and that's it.

de GRAAF: One other thing along this quasi-legislative category. The board also prepared some tax forms. Is that mostly in the property tax area?

NEVINS: The board promulgates--let's see, there's a specific word that's used in the code on that--and the assessors are required to use these forms. It's like the federal income tax law. We do not prescribe--that's the word--forms in the sales tax law. Now, in income taxes, the Franchise Tax Board prescribes forms. But in the sales tax, you can send us a letter, and if you get the information like the quarter involved and all that stuff and it has a check that doesn't bounce, we don't care. We prefer that you use the form because it can be processed a lot faster and cheaper, but no one is going to knock you for sending in the money. I'll tell you, that's the way we are. We're not all hung up on forms.

de GRAAF: But on property tax, you prefer the form.

NEVINS: Property taxes, the legislature requires that we do that. That's a statutory thing. I don't believe it's in the constitution; it might be. I just can't remember. It might be in the constitution. You have to look [for] "The board shall prescribe forms." I don't think it says that in the constitution but it's certainly a statutory function.

de GRAAF: And then you have also come to write handbooks for assessors and manuals. Was that established practice in 1959 or has that developed since 1959?

NEVINS: That started in the late thirties, they started putting out manuals. They had a big increase in the late forties and

fifties, and then there was another increase in the sixties running up to about Proposition 13. We had quite a bunch of handbooks and really made a major effort to keep them up. The line of reasoning there is that if you have these handbooks available for the assessor personnel, then they're going to do a better job. Of course, this is public property, so the taxpayers want to know what's expected of them. What is it the assessor's going to do? Since property taxes is sort of its own thing, somebody has to do it, and it's considered that the board should do it. After Proposition 13, there was a period of about ten or twelve years where not much was done. Now, there is an increase right now. There have been two budgets that give substantial increases back into manual writing. Proposition 13 passed in 1978. Well, there was about seven or eight years where not much happened. Now, it's coming back.

de GRAAF: All of this rule drafting and form preparation, handbook writing, was this, too, largely done by the staff? Or did the board get in on a lot of this?

NEVINS: The board usually got involved in the sense that people would complain to them that we need a rule, so we'd talk to the staff and get something started. So it got started. Or sometimes the staff would tell, particularly in the business taxes, they would tell them they're auditing and something had to be done, so that would get something started. But I

would say the staff, in the number of regulations and rules, probably started most of them. Some of us are pretty close to the assessors, and if some regulations were needed, they sort of let you know in a real hurry. So you are out there pushing the staff.

de GRAAF: Your final category, according to this report, was to be a quasi-judicial body. Here, of course, they mean you were the appeals board for the Franchise Tax Board.

NEVINS: Let's run through that. This is three different areas, each one somewhat different from the other. In property taxes, we had a constitutional role for equalizing assessments of these properties owned by a city outside their boundary or any governmental body outside their boundary in some other jurisdiction. Like, the city of Los Angeles owns property in Inyo and Mono counties, the board's involved with that. There's a complicated formula for those particular properties right now. So that's one thing. There, we acted like an assessment appeal board locally. Then, we heard the appeals of the utilities on their values. Again, we acted like an assessment appeals board. In other words, we were bound by virtually the same rules as they were. Again, a constitutional function of the board, those rules or our power to adopt those rules is in the constitution, so that's a pretty big step. There are two other kinds of appeals to the board. One is the appeal of the taxes that it

administers itself. That's the sales taxes, gasoline, and all that junk. We act like the tax. . . . What do you call it? The IRS, they have a name for their tax appeals group, which is independent, not in the judiciary. We, in effect, were at that level, the highest level administrative appeal, of taxes we administered ourselves.

de GRAAF: In effect, you were reviewing the decisions of your own staff.

NEVINS: Yes. A lot of people complain about that and say, "That's unfair," "You're prejudiced." But the main thing you get out of that, and the advantage to that--and I don't think it's ever going to be taken away from the board--it gives you a kind of quality control. That's where you know what your people are really doing. Really, there it is. Let's say they're not doing a good job, well, you can go out and take whatever steps it takes to get it cleaned up, right? Board members have done that over time.

The next thing--this is a statutory function--is that we hear the appeals of the assessments made by the Franchise Tax Board of its taxpayer. Here, we're a sort of independent body, like a tax appeals board in many other states. The procedure's a good bit more formal than it is on our own taxes. I mean, you have to follow certain forms and you've got to do this and you've got to do that. You have to file a brief. It doesn't have to be terribly elaborate, but it's got to outline the year in question and the amount, what is

it that you disagree with and your reasons for disagreeing with it. You've got to do all that, and if you don't do it, you don't have an appeal. It has to be done in a timely way and all that. The board's handling its own taxes is much more informal. We do, finally, now, require written appeals. In the old days, we used to take them orally. But the written appeal doesn't have to list very much. You can say, "I just don't like the tax." That's about all it says, and it just gives you the date, the account number, and that kind of stuff. So, in effect, you have what amounts to a trial de novo on franchise tax stuff, in other words. It's at the administrative level, yes, but he's got to do about what he would do in a superior court. The taxpayer doesn't have to come to this; he can go to the superior court. He has a choice. If he goes to the Board of Equalization, he can be heard, and if he wins, he's home free. He has won; that's the end. The Franchise Tax Board cannot take him to court on that issue. So the board has been very careful, and criticized for being too careful, on hearing these appeals and tending to uphold the Franchise Tax Board. Of course, on all constitutional issues, we uphold the Franchise Tax Board, period, and we're required, basically, by the constitution to do that anyway now. But that's been our position before the amendment of 1978. This [Proposition 5, a mandate that BOE uphold FTB] is a separate amendment on the constitution that year, by the way, not Proposition 13.

NEVINS: [The reason] the big law firms in L.A. particularly like it is it gives them a chance to feel out the Franchise Tax Board. In other words, the Franchise Tax Board writes a big, hairy brief. So they now know where they stand with the Franchise Tax Board and they haven't risked the taxpayer's money. There's not a claim for a refund. If you go to court, you have to pay the tax and make a claim for a refund. There's no chance the legislature's going to change that. A lot of guys would like to but they're not going to do that. It's funny how people can be real tough at times. There used to be a rule that if you paid some of the tax--[this was one of them that they were real tough on]--you could a claim a refund, but the courts threw that one out.

de GRAAF: So the Board of Equalization is sort of a trial run.

NEVINS: And the big law firms like that because then they know where they are and then they can tell their client, "Well, let's go to court." And some of them do. Generally speaking--I would say 99 percent of the time--the courts have upheld the Board of Equalization's decision, so that there have been very few wins by taxpayers on decisions other than the constitutional ones. The constitutional ones, the courts have been pretty tough on taxpayers. The courts in California are not a haven for taxpayers, take it from me.

[End Tape 3, Side B]

[Begin Tape 4, Side A]

de GRAAF: You were saying there's one other longtime figure on the board that you wanted to talk about.

NEVINS: I think if you're going to do any contemporary work on the board--in other words, you're not going to let ten years go by but you might do something in the next year or two--I suggest that you try to meet and interview the chief counsel of the board, James J. Delaney. He has been involved in all the major litigation having to do with Proposition 13 and probably drafted most of the laws that the board supported on Proposition 13, beginning five minutes after it passed. In fact, the staff had done some work before Proposition 13 passed to try to interpret it so that they could start out running. As you recall, the election was on a Tuesday. The board had a special meeting on Thursday after Proposition 13 passed and directed the staff to develop the regulations to implement it and support the legislative interpretation of 13. It gave the staff some direction on where the board thought things ought to be on the various provisions of the act. The board did meet, did do that, and the legislature at that time followed most of the board's recommendations. They did change them later on, but the board interpretations were controlling them the first year.

de GRAAF: That's a good example of its rules and that's a person we'll keep in mind to interview.

NEVINS: Remember, Proposition 13 is rather vague on a whole lot of things, and a whole lot of stuff had to be put in place.

de GRAAF: Going back to the history of the board immediately before you came on it, just a few more things and then we'll get into your role. One was that for about twenty years, it was charged with being the alcoholic beverage control body of the state, and some sources have noted this set up the awkward situation where the Board of Equalization had to have police functions as well as its usual assessment, accounting, and auditing functions. One question I've wondered about: When you came on board in 1959, did you still find personnel on the staff who had been hired predominantly to carry out the police functions of alcohol control?

NEVINS: None of them were there. They were all removed by the constitutional amendment that was passed, I believe, in 1954.<sup>1</sup> The board had operated a liquor department totally separate from tax administration at all times, and the functions that went with that were transferred to the Department of Alcoholic Beverage Control, which is one of the few gubernatorial departments that's in the state

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1. In 1954, the legislature set up a Department of Alcoholic Beverage Control and transferred to it the authority previously held by the Board of Equalization, A.B. 28, 1954 First Ex. Sess., Cal. Stat., ch. 20. This measure provided for a constitutional amendment to be passed by the legislature in 1955 formalized this change. The amendment was approved as Proposition 5 in November 1956 and became Article XX, sec. 22 of the California Constitution.

constitution. That may be partly because of the way the federal amendment authorized the states to regulate liquor. In effect, the states have absolute power in the liquor area; it's one of the few places they do. The courts have construed that against the Indians just because of that amendment. In other words, Indians can't sell alcoholic beverages to non-Indians without a state permit. They can do anything they want to themselves.

de GRAAF: Whatever may have been the shortcomings of assessors or board staff and so forth in the late fifties when everything was reorganized, it would not have been because essentially alcoholic policemen were still kept on the board.

NEVINS: No. The police function in the Alcoholic Beverage Control is solely used with bars and liquor stores. It had nothing to do with assessors or any of that, believe me.

de GRAAF: Now, the scandal that you have referred to earlier occurring in the fifties, I imagine, was the William Bonelli scandal.

NEVINS: Right.

de GRAAF: Your thoughts on that. I happened to have in my library a few years back a book by Bonelli himself called The Million Dollar Blackjack in which he claims he was framed by the Los Angeles Times.

NEVINS: Well, I've met the person that wrote that book, and he wrote it and Bonelli put his name on it. It is a funny book. I have had difficulty the whole time I was in the board dealing

with the liquor problem. When I first got in, people still thought I controlled liquor; they used to call me up for a liquor license. So for the first six or eight years I was in the board, I studiously avoided having anything to do with liquor and really didn't know much about it and tried not to know about it. I had a lot of other things to find out about. But as I got farther into the board and got on top of what I was doing, I became curious about what is it that Bonelli did. I never got a clear picture. But, apparently, what he did is, he shook down the liquor store operators and used the money for ads to promote himself as a member of the Board of Equalization. He had big ambitions for himself and, apparently, he put some of the money in his own pocket. That's the best I could get out of what happened. I met a newspaper publisher one time, one of these people who publishes these weekly papers, "throwaways," we call them today. He was at that time handling a situation where you could buy an ad in every weekly paper in L.A. County by bringing the copy to him and bringing the money to him, and the ad would appear in every paper and every paper would get paid. He said the thing that was significant to him about this is one time he got all these checks. If you looked at them carefully, you realize the man that got them went down the street and collected money from each liquor store all the way down, and then he'd go down and back up the next street.

NEVINS: That was the order in which the checks were endorsed over to him. In other words, you'd have the Gletz Liquor Store, \$200 to the Bonelli campaign, and then, on the back, it would be endorsed over to his newspaper. He thought you could determine from that just what the guy had done. Then, to get a license, apparently, you had to go through a bunch of baloney. The board members, of course, on their own motion, without any legislative authority, limited the number of licenses using various formulas. That was the source for "juice," or whatever word you want to call corruption: money, bribery, whatever words you want to use. Some board members had a lot more liquor stores and bars in their area than others did. Bonelli tended to keep it down. He was on the side of the "drys." In San Francisco, they just have an incredible number of bars, or they did. I think there's been a lot of changes in that because [the] Alcoholic Beverage Control Department by statute and by more seriously drawn regulations changed a lot of that stuff. People nowadays can't visualize the role liquor played. First, state government was rather small in the late thirties and early forties, so liquor looked big as an activity. People drank a lot more [in that day] than what they do now, so going to bars, going to a liquor store was more important. Then, the industry arranged things so that everybody had a big guaranteed markup, and there was this tremendous demand. So

NEVINS: running a liquor store was sort of a sinecure. You just make money; you didn't have to market your stuff and all that. Here you were regulating a very profitable business, or at least it was felt to be profitable, and you couldn't lose, right? So it [regulation] had this element of corruption about it. It loomed big because there weren't a lot of other things going on. Therefore, people thought about it a lot. Nowadays, liquor is something like dry cleaners. There's serious thoughts of deregulating liquor in this state.

de GRAAF: Get rid of the Alcoholic Beverage Control Department?

NEVINS: Yes. I mean, Jerry Brown wanted to do it. I'm with him on that one. I don't see any reason for regulating it. I don't see that it's any different than selling milk. I think we're worried about whether the milk is contaminated more than about the booze being contaminated.

de GRAAF: The board has always kept, though, the assessment of the alcoholic tax, right?

NEVINS: Right. That's in the constitution.

de GRAAF: When you came on the board in 1959, besides finding some people weren't aware the board relinquished the alcoholic beverage control, did you find that there was still a lingering, tarnished image of the board from the Bonelli scandal?

NEVINS: To some degree, yes. Although I did go around in the campaign in 1958 and I found out from talking to people that

business people thought that the board was well run on the business tax side, on the sales tax, and they felt there weren't any major problems there. On the other hand, a lot of people felt the property tax needed a lot of attention, so my 1958 campaign devoted itself to what I was going to do to property taxes and not much to the business tax.

de GRAAF: Another thing came up shortly before you came on the board was the [Clark L.] Bradley-[Hugh M.] Burns unified local sales tax and use, I think it was, tax law.<sup>1</sup> By the way, what exactly is a use tax?

NEVINS: I'll give you two examples of use taxes. You buy something and you buy it with a resale number and you intend to sell the product. Then, let's say, you use it yourself. Let's say it's something you can consume and use yourself in your business, mops or something like that. You pay a use tax measured by your cost because you didn't sell it. It's the taxes, then, on the use. Or if you give your products away, you're the user of it. There's no sale, so you used it. You pay the tax measured by your cost. If you bring goods in from out of state and you purchased them from a retailer out of state and you bring them into California to use them here, you pay a use tax measured by your cost to the out of state retailer. People that get hung up on that quite a bit are

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1. Bradley-Burns Uniform Local Sales and Use Tax Law, A.B. 3111, 1955 Reg. Sess., Cal. Stat., ch. 1311.

manufacturers. They buy equipment from people who are not California retailers. Now we have retailers out of state that don't have any location in the state that pay us taxes, which is a use tax, by the way, but it looks like a sales tax. We make audits and one of the things auditors look for is capital equipment. One of the things they look for is to see that the sales tax or use tax has been paid on that equipment, and it's capitalized. That's the easy way to find it. If the tax isn't capitalized, you're pretty sure it isn't paid.

de GRAAF: Of course, this was the law which greatly encouraged cities and counties to tap in on the sales tax.

NEVINS: Let me go into that a little bit. That tax law was developed by the city clerk of Los Angeles, who had the unenviable problem of collecting a city sales tax. I met and talked to him about this. He said that we never could get up to speed on this thing and that the city council people would pass exemptions to the law and a whole bunch of junk like that and they'd end up with an act that was different from the state act. They simply weren't getting the money they should get. He felt that there should be a state administered local tax. The California Retailers Association agreed with him. They were having problems trying to collect local taxes that were different. You know how you organize yourself. You have a store in Pasadena that has a tax at one rate, a different

base, and you have another one in Los Angeles, different base. So they wanted to have a uniform base for the tax statewide so that if a local government wanted to administer a sales tax, they would employ the Board of Equalization to do it for them, and the base and the rate would be uniform statewide.

de GRAAF: Exactly what do you mean by administer a local sales tax?

NEVINS: Now, of course, you're living in the era where every local community has a sales tax. But when I came in to the board, not every city had a sales tax.

de GRAAF: The Bradley-Burns Act gave them the option; it did not require it, right?

NEVINS: It did not require it. I think Tehama County was the last county where the city and the county got together and levied the sales tax, because the county has to levy it too in order to have a uniform one. Then, the state charges the city a fee for collecting the tax, which is like 1 percent of the tax; it's not very much. The cities can't possibly do it for what we do it for. It's less than 1 percent now. I've forgotten. It says in the annual reports what we charge them. It's become a very big part of local financial situations for counties and cities. Now, there are these rapid transit district taxes that have been added to this, so they're virtually the same thing as the local tax. Again, a contract by the local rapid transit with the state board to

collect the tax so that you have a single agency doing it. It was a kind of reform at its time. It's looked on as sort of passe. It's an involved thing. It's gotten quite a bit more complex. When I first was on the board, we only had three or four people worrying about allocating local taxes. The main thing is, administering taxes has gotten to be rather involved now. There are forty or fifty people whose sole function is just to try to get this money allocated quickly out to every jurisdiction and separate all the different taxes and see that the audits that are made allocate the tax properly to the right jurisdictions and all that stuff. But it's still a much more efficient system than they had, each city or each county administering their own tax. Other states do the same. Texas is one. Most states now do substantially what we do.

de GRAAF: Was California one of the first?

NEVINS: California was the first.

de GRAAF: I notice that suddenly around 1961 there was a big flurry of cities and counties to adopt this option of the local tax. Was that due to a piece of legislation saying that if they didn't do it by October 1961 it would require a two-thirds vote of their local council to do it?

NEVINS: No. I think what happened at that particular time, the Lakewood Plan came in in Los Angeles. The Lakewood Plan is the plan where the county would, by contract, provide

services to a new city, so that you wouldn't have to go out from the ground and hire a police department, fire department, planning department, everything else. You could start a city with one hired hand, and La Canada did just that. So a lot of areas that had looked at incorporation--in Los Angeles County, we're now talking about--immediately realized, "Well, we can pay for our incorporation and will not have to levy a separate property tax for the city. We can pay for it with our sales tax and we can get all the services performed by the county." So the county of Los Angeles set up a whole department just to deal with the so-called Lakewood Plan. I'd say in L.A. County, when I first was elected, there were about, maybe, fifteen cities. Within two or three years, there were forty cities. There's only been a few that have been formed in the last ten, fifteen years. La Canada's one. Hacienda Heights never gets their act together so they're not one but there've been a few others: Walnut, Spadra--I don't know whether that's a separate city or not. Rowland Heights, I understand, didn't incorporate; I thought they were going to incorporate. But they're mostly in place now. Most of them were incorporated, I would say, in the short period from about 1959 to about 1963 or 1964, utilizing the Lakewood Plan.

de GRAAF: But you feel that the state uniform local sales tax was an important device also?

- NEVINS: Yes. That's what paid for their services.
- de GRAAF: That's good because I notice one of your own reports at about that time talked about a flurry of incorporations occurring.
- NEVINS: Yes. Then other counties started doing that too over time, but they didn't have it set up the way L.A. County [did]. Remember, L.A. County was tremendously much bigger than the other counties at that particular time, and other counties were either corrupt or disorganized or something. Local government has gone from the cow town to uptown in an awful short period of time. I'm not kidding.
- de GRAAF: No, I think you're right. One irony I see to this is that just a few years after this flurry of incorporations by 1964-1965, the board and the legislature are both becoming very concerned about the threat that, among other things, this incorporation is posing to open space, hence the [John C.] Williamson Act<sup>1</sup> and so forth. Do you feel that in that sense all the Bradley-Burns Uniform Sales Tax may, ironically, have just helped to bring about a later problem that the board had to deal with?
- NEVINS: My feeling about the open space thing is that what you had were big landowners who wanted to have the best of two worlds. What they wanted to do was have low taxes, and then they'd be able to put their land into use at the time of

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1. California Land Conservation Act of 1965, A.B. 3128, 1965 Reg. Sess., Cal. Stat., ch. 2012.

their choosing. Here in the great county of Orange, you have the very best example in a company that actually was the prime mover of the open space in California, the Irvine Company. They employed their lawyers to write the act and get it through the legislature and get the constitutional amendment and all that baloney. I think it was defeated the first time out and it passed the second time around. The Irvine Company was the company that was particularly a beneficiary of it. If you drive on Interstate 5 south of Santa Ana right now--and I mean literally right now--you'll see some of the last land that was in there.

de GRAAF: In those ten-year trusts?

NEVINS: In those ten-year trusts being developed right now as auto dealers or something, I don't know. I don't know what town it's in. I think it's in Tustin; I don't think it's in the town of Irvine.

de GRAAF: It could be.

NEVINS: I don't have maps. I don't follow all that stuff anymore so I can't tell you. But that's one. But there were other landlords in other parts of the state that were in the same position. They felt, "What we'd like to do is hold our land and develop it at our convenience and maximize our income, and if we have to sell because the taxes go up, that won't be to our advantage, and we'll do better if we can take more time." A lot of landlords, of course, can't do that, but these could and did, and they did very well.

de GRAAF: We'll get into the open space issue a little bit later. That just struck me as an irony that here in 1961 . . .

NEVINS: The state, as you know, has never done much in planning. Planning's been a local function and planning is very difficult for lots of communities to handle. That was where. . . . Remember I told you that we had sort of cow counties. Well, Orange County was clearly a cow county, very "cowy" until very recently. So they would have great difficulty with something like that.

de GRAAF: A few other questions. One would be State Law, Chapter 1466.<sup>1</sup> Chapter 1466 was that law that the state Board of Equalization had to assess or review the county average assessment levels and make up some sort of a statewide average to compare them with. That had not been done before the fifties?

NEVINS: I told you that the school people were very concerned about the lack of value put on the [property tax] roll. Now, the board had been assessing the public utilities at 50 percent of their market value, and that had been roughly what the assessors had been doing in the thirties. But you recall World War II came along and there was a tremendous inflation in property values in California, and what the assessors did is, they just put the 1930s value on the roll, even though

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1. A.B. 2027, 1949 Reg. Sess., Cal. Stat., ch. 1466.

the sales and other things were inflated. Assessors got the feeling that "We know what value is and those people out there don't." That's the kind of attitude that they took. They further had the problem that you have to have an equal value on all property. In other words, you had to levy the taxes in the county equally, and one of the ways to do that was if you're not going to reappraise the property, then you lower the new appraisal to make it look like the old one. In other words, you value the property in the same way you did back before. That has obvious faults, as you can readily recognize. Assessors' offices had been cut down badly during World War II and they hadn't been very big anyway in the thirties because there hadn't been that much real estate activity. In fact, real estate values had declined from 1930 until about 1939, and so there wasn't any rush to lower the values. Then the values started creeping up again after the war began. We're talking about California now. And the offices were very weak and were not very professional. A lot of assessors were in patronage deals of one sort or another. Life was tough. The making of the roll was a clerical function. In a lot of offices, if you had a budget of \$10,000 or \$12,000, 80 percent of the budget was in the clerical part of making the roll by hand. Literally, there were rolls made by hand in California up until the early 1950s, not even typed. So a whole lot of things started

NEVINS: happening. One is that data processing came along, and bookkeeping machines, and stuff like that to make the roll, to reduce the mechanical cost of it, and the need to hire professional appraisers to catch these new values, and all these things went together. The schools are one of the forces that caused the development of modern assessing offices because they, being the beneficiary of the tax, needed the money. In the meantime, the utilities got all wired up that they were being overassessed. So the board had to do something about that. That was another one of the issues that faced us when we came in in 1959. The old board hadn't played much of a role. That is, the board preceding us back to 1935 hadn't played much of a role in assessing public utilities. The staff had done it, bring it in, and one day they'd approve the roll and that was it. They didn't even look at the stuff. This survey of the board's assessment problems, the gray one--not the green dragon but the gray one. . . . I gave you the name the other day.

de GRAAF: Was it the Coolidge Committee?

NEVINS: The Coolidge Committee Report, that's the one. Glenn Coolidge. He was from Santa Cruz County, nice man. Anyway, his committee recommended that the board play a more active personal role in setting the values, so we did; I did. We set up a system where we'd have hearings on it so the assessees could tell us what they thought the value ought to

be, and the staff, in effect, had to defend the value that they were recommending to the board.

de GRAAF: Now, you did this on a random survey of properties?

NEVINS: No, we did every one. There were only 250 assessments. We're talking about state assessed property. Fourteen of them make up 90 percent of the value. So the board met in Dixwell Pierce's office. This was back in the days when we didn't have to have public meetings.

de GRAAF: Before the Brown Act.

NEVINS: Yes. Brown, is, incidentally, not Willie Brown or Jerry Brown; it's Ralph Brown, another nice man. We met and decided what we were going to do. Cranston is one of these guys--he was the controller--that never likes to really say what he's going to do. He's one of those that sort of likes to edge into things. So what we did, basically, in that year, either 1959 or 1960, we stopped publicizing what ratio we used, and we used 48 percent. We were going to go down 2 percent a year until we got down to whatever the county average was, which was around 25 percent when that started. The word got out to the utilities and they sort of held off, and every year we lowered it.

de GRAAF: As I recall, Chapter 1466, which was passed, I believe, back in 1949, what it did was to mandate that the Board of Equalization had to ascertain how to somehow associate individual county assessments with a state average.

NEVINS: That's right; that's what they did. That was another program of the board was to measure assessment levels. This also had to do with the formula that Bud whatever his name was. . . .

de GRAAF: Collier?

NEVINS: [John] Bud Collier. There were two Colliers.

de GRAAF: Yes, Randolph and Bud.

NEVINS: Bud Collier, he was very close to the legislative analyst.

de GRAAF: A. Alan Post?

NEVINS: Alan Post had taught him at Occidental [College]. Bud wasn't very smart, but Bud knew a good thing, so Alan Post got him to carry the legislation to tie. . . . If the county's assessment was too low, then they lost allocations. There's a formula you can use. If you take the average and then you twist it. . . . I've forgotten it.

de GRAAF: This is the so-called Collier factor?<sup>1</sup>

NEVINS: Right. So those got established, and that had a very strong effect of causing counties to raise their assessments, because they wanted the money. They all screamed and hollered. Of course, they complained that our values were always too low.

de GRAAF: The Collier factor only applied to that portion of the property tax that went to schools, right?

NEVINS: Well, yes, but there were other apportionment schemes for

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1. This formula was enacted in A.B. 218, 1959 Reg. Sess., Cal. Stat., ch. 1786.

money besides schools at that time. There were city ones. They weren't very big compared to the post-[Proposition] 13 ones, but they were still there. The school was the major one, but there were others. I think there was some road money. I don't know, there was a bunch of them. But they were rather small.

de GRAAF: The thing that struck me about the Chapter 1466 is that, according to the annual reports anyway, it took about ten years between when the legislature first passed it, in 1949, and when the Curran-Young Report really got [its principles] fully implemented, that each county's assessments would be averaged and compared with a state average publicly.

NEVINS: Fourteen sixty-six is one of those things that made a lot of noise but really didn't amount to a hell of a lot. In the first place, the legislature really didn't want us to make any abrupt changes on anything. That's sort of the way legislatures are. The governor certainly didn't want us to do anything very abrupt. People weren't very sympathetic to utilities in those days, but they recognized that you couldn't treat them too differently or otherwise they were going to get equal protection and all those problems with the U.S. Constitution. So anyway, Chapter 1466 never got implemented because they kept having legislation stay it. That's what we're talking about. The utilities, after we had lowered these assessments down to a certain point, just

stopped worrying about it, and the thing just died and that's about the size of it. I'm sure our annual reports tell you when it died.<sup>1</sup> I was part of the scheme.

de GRAAF: The other thing that gets very complicated, and I'm just wondering whether it was a big issue or not: in 1965, the annual report brought out what is called a "coefficient of dissociation."

NEVINS: No, dispersion.

de GRAAF: A rather fancy term that showed me fairly clearly how unequal your random surveys of assessed properties in different counties were.

NEVINS: Yes.

de GRAAF: I recall one, Shasta County, I think, had a coefficient of 95. Anything over 30 was supposed to be quite inequitable. Now, did this suggest, in the late fifties when you came on board, that there were widely different assessment practices for the same types of property between different counties?

NEVINS: Oh, yes, I was certainly aware of it. There's no bullshit about that. I want to stress we're back to cow counties again, right? Now, a cow county doesn't necessarily have to do a poor job, because in a cow county, everybody knows

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1. The Board of Equalization recommended repeal of Cal. Stat., ch. 1466 in conjunction with adopting the Monterey Agreements in 1957, but these recommendations were not passed by the legislature until 1959, in A.B. 2674, 1959 Reg. Sess., Cal. Stat., ch. 1682, popularly known as the Coolidge Bill.

everybody and knows everything. That's the way the cow counties really are. But a lot of times, the politics of it were that the assessor just didn't do his job, and there were people in the county that I'm sure benefited from that, right? Of course, every county wanted things to happen financially. They all wanted to have roads and all the good things that you get from public money. One of the ways to push assessors was to talk about this coefficient of dispersion because what they were tending to do was put newly purchased or newly built properties on the roll at the current value, let's say 25 percent of the current value. But they would also have lots of land, particularly, farmland--this is before we got into this Williamson Act--at 1 [percent] or 2 percent of value. That was like Kern County. The farm property in Kern County was on a roll of maybe 1 [percent], 2 [percent], 3 percent. The oil property was on at 50 percent. Even after we got going on the 25 percent ratio, they lowered to 25 [percent] and still oil was carrying the load in Kern County and the farmers were all. . . . I remember once the assessor--I've forgotten what his name was--raised it to about 10 percent. The standard ratio was 25 percent. He got some farm property in the north county up to 10 percent and had a goddamn near riot in the Delano area. That was sort of standard. The farm bureau people were very effective at keeping their assessments down,

NEVINS: very effective. Farm properties everywhere in the United States are underassessed; that's pretty standard. Even though there was a lively market, plenty of sales, [it was] very hard to get them up there. We made quite a lot of headway on that. The fact that we did was one of the reasons you got the Williamson Act. Property in Orange County is an excellent example of the thing. You remember where Jamboree Road is? There's a nice little shopping center there? The assessor, [Hugh] Plum, about the time that that property was going to have the shopping center on it, fifty acres, something like that, the property value would have been a million bucks for fifty acres. He had the farm property right across the street on it [at], like, \$2.50 an acre. I said, "Hugh, that ain't going to fly. I'm sorry about that."

de GRAAF: This was in the sixties, wasn't it?

NEVINS: Yes. Hugh Plum was the assessor. He was a real nice man. He lived in a mobile home at the corner of the Newport Freeway and Interstate 5, on a piece of property eighty acres that his wife owned. Just think about that a little bit. [Laughter] They owned the mobile home park and they lived in the mobile home in the park. They owned the park.

de GRAAF: I'll look that up as a sort of example; it gives us an interesting insight of what property taxes. . . .

NEVINS: He had orange groves and such and such an acre and all that kind of stuff. But these are the sort of things that we were

up against, and we had to give people courage. That's when we made the manuals, [hired] professional appraisers, trying to get guys that would do the job. It's hard. There's a lot of flak, raising the roll.

de GRAAF: I gather at this time there were even some cities that did their own assessing?

NEVINS: Yes, there were. There weren't many. I think there were about eleven or twelve. Pasadena was one of them; Watsonville and a couple in Santa Cruz County.

de GRAAF: Were there also wide variations in the types of property assessed by a city?

NEVINS: There are two kinds of cities in city assessing. There was one where they just took the county roll and factored it up, and it had something to do with some bond issues they had. The bond issues were related to the city's assessed value, and they didn't get rid of city assessing until the bonds were paid off. So there really wasn't much problem with that; there wasn't any real mess caused by that. Then, there were cities that assessed on their own, and Pasadena was one of them, and just did the god-awfullest job. I mean, it was just appalling. They had about twenty people in the office, and the guy was a shoe clerk that ran it. Then there were some cities down in the great county of Imperial that did it and they were just as bad. Imperial has very high taxes and it was miserable. But the county wasn't doing a very good

job of assessing so what we had to do was completely build up the county assessing, which we did over a period of time. I also had one of those people that would push people along, encourage, go down, cajole, talk to the board of supervisors on budgets, that kind of stuff. Try to see that the county got a kind of CAO [chief administrative officer]. See, a lot of those counties didn't even have CAO's in those days. They had a county clerk or somebody like that who would get the budgets together. Everybody looks at government today as this well-organized thing, full of professionals and all that stuff. I lived through the thing when, believe me, they were terrible. And I'm talking about, like, Riverside. I remember when [Robert] Bob Anderson became the CAO for Riverside County; I thought the guy was going to be fired any minute. He had a friend of his who was made the CAO of San Bernardino County and he was fired.

de GRAAF: Just for trying to bring efficiency?

NEVINS: Just for trying to bring law and order, yes.

[End Tape 4, Side A]

[Begin Tape 4, Side B]

de GRAAF: One other question--it occurred to me as I went over all of this we've been discussing--[is about] Chapter 1466, the Collier Bill, Collier factors, particularly those. Were they intended to make the state's educational funding more in line with the real property values in different places?

NEVINS: The question requires a little foundation before I can answer it sensibly. In those days--and we're talking about the late fifties and sixties--the property tax in California was more than all the other taxes put together by quite a margin. In other words, it was the principal revenue base of state and local government in California. You have to look at state and local government together because each helps to fund the other. So property tax being so big, little things done in it had a big effect on the revenue of the communities that were involved. What the Collier factor was trying to aim at is, if the state gets limited resources, which we're talking about, essentially, the revenue from the sales tax at that time and we're going to send it back on a per pupil basis, what we didn't want to do is reward counties that had underassessment by giving them more money because they were poor. This was the issue. So in order to get the low assessment ratio out of the factor of apportioning the money, you first adjusted the assessment per student to get it up to the average statewide. If the county was arbitrarily going low, then you had to make an adjustment. Then, you divided the number of students by the assessed value and then gave them the money. That's how those formulas worked in those days. They don't work that way anymore but they did then. Don't forget, school money from the state [constituted] 20 percent of the schools' funding, there's a federal factor

that's around 5 [percent], so around 75 [percent] to 80 percent of school [funding] was property taxes. So if you were in Beverly Hills and had lots of value and few students, you had an excellent system. If you were in El Centro and had very little value and lots of kids, why, you had a poor system. That's an issue that they were trying to deal with. There were a lot of court efforts at the same time that really were resolved by Proposition 13.

de GRAAF: The impression I get of the Collier factor is that it almost worked at odds with what later became the principle derived out of the *Serrano v. Priest*.<sup>1</sup> That is, the Collier factor would seem to encourage wealthy districts to assess their property at the state rate and, therefore, get more money back from the state for doing so, and the poorer districts, even if they did the same thing . . .

NEVINS: No.

de GRAAF: It didn't work that way?

NEVINS: No. What the Collier factor was aimed at was trying to not have a phony assessed value that would make the district look poor when it wasn't. That's the issue. The Board of Equalization would find that the county's ratio of assessed value to market value was, say, 18 percent, and the statewide ratio was, we'll say, 24 percent. Then, there would be this

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1. *Serrano v. Priest*, 5 Cal 3d, 584 (1971); *Serrano v. Priest*, 18 Cal 3d, 728 (1976).

factor that would be put on this 18 percent roll to bring it up to 24 percent for apportionment purposes on the theory that the assessor could have had 24 percent if he chose to but didn't. Do you follow me? So he "lost" but it didn't make the district poorer. Poorer really went to the issue, did it have any value in it (A), and (B), did it have a lot of kids? If it didn't have a lot of kids, even if it didn't have any assessed value, it wouldn't be poor, right? I could go on and talk about little school districts. Of the 1,300, 1,400 school districts in those days, 1,000 of them only had 20 kids. The purpose of that was that those were all in the rural areas. This is what the farm bureau did: they would go and have these minimum school districts that got \$20,000. Well, you could run a whole goddamn school district for 20 kids on \$20,000, so you didn't have to levy any local taxes for the elementary school. That's what these things were about. It just tried to cut those back and never made it.

de GRAAF: The more you look at tax policy, the more you find out about some of the interesting devices going on around the state.

NEVINS: Right. People didn't write big papers about them and all that. It's the sort of thing we knew as board members. The legislators knew about them, and these committees. This Dave Doerr, when you meet him, is the one who can really give you a lot more on that than I've given you because I really only knew about it in my district. I knew about some of the other

things in the rest of the state but I knew a lot more about in my own district what was going on.

de GRAAF: One of the first things that you inherited when you came on the board was the fact that 1958, I believe it was, there had been mandated a reorganization of the Board of Equalization.

NEVINS: I don't think it was mandated, but it appeared necessary. We had the Caspar Weinberger report on the need for a department of revenue. One of the things he complained about in the report was that the board was poorly organized, and he gave a whole lot of examples. So we cured that by something called a basic internal survey, and it had results. This Douglas Bell, who was the executive secretary of the board later on, was one of the people who carried on that survey. Then, the existing members in 1958 chose not to act on that report. So we in 1959, the three new members, did come in and did act upon it and did put it in place. We started about July and got it all in place in about a year or so.

de GRAAF: Basically, it seems to have gotten rid of these divisions that equated to specific taxes.

NEVINS: We had auditors that audited everything, and people who collected taxes--compliance people, as we call them, who collected all the taxes. There were a few specialized taxes that the officers really didn't handle, like the gasoline tax. The San Francisco office handled Standard Oil and some of the big oil companies up there, and the Hollywood office

here handled Arco and Union and most of the gas tax people down here, for instance. So there's not every office that happened to have a refinery and really assessed it.

Refineries are a little tricky, believe me. There was a lot of cheating on gasoline in those days. People were selling stuff that it was hard to say it was gasoline and they were trying not to pay the tax on but it would make a car go. You don't run into that much anymore.

de GRAAF: Did the reorganization in 1959 increase or change the number of branch offices that the board had around the state?

NEVINS: What the board's done over the years with branch offices, they've tried to put them where they were needed. At the time, in 1959, we still had offices in every county. There are, of course, fifty-eight counties in California. Some counties don't really need an office. So over time, we reduced the number of northern California offices and increased the number of southern California offices so that we ended up with about the same number of offices but they were put out where the need was rather than where some board member wanted them for either political purposes or what he thought was just necessary under the alcoholic beverage control days. There was some thinking that you were supposed to have an office in every county. Some counties at that time had only 800, 900 people. You don't really need an office for that.

de GRAAF: What exactly were the functions of these branch offices?

NEVINS: I told you that the board had a policy of working with taxpayers. One of the ways you work with taxpayers is you have conveniently located offices for the sales tax so they'll come down and take out the permit so you don't have to run around and chase taxpayers. They come to you. Now, one of the factors that makes taxpayers come to you is if they start a business and they suddenly find that people ask, "What's your tax number?" If you don't have a tax number, (A), they usually won't sell to you at wholesale, and B), they'll charge you the tax. So then you're out money up front that you can probably recover from the board if you sell the property but it sure beats a lot of hocus-pocus by just going down and getting the permit and getting your own number for the location where you're going to have the business. So you want to make it easy for business people, and that's one of the reasons they have offices located all over. One of the ones I wanted to get rid of was Santa Maria. We finally got rid of that; we now handle all that out of San Luis Obispo and we have an office in Santa Barbara. But we have now a second office in Orange County. We have two offices in San Diego County. We've needed another office in San Diego County for a long time; they finally put one in San Marcos. I don't know whether that's the right place or not but that's where it is. I never liked

being downtown in San Diego. I wanted to be north of downtown, for instance, when I was in charge. You have to have an office in Imperial County because it's so far away. It's a two-hour tough ride. I got an office in the Palm Springs area because what happens over there is there's this tremendous activity in the wintertime and the people go out of business in the spring. That's a lot of action for us and them, even though there were only 60,000 to 80,000 people out there at that time. It was a lot easier on everybody's nervous system to have an office out there and not have to go down to either Riverside or go to San Bernardino to do your business.

de GRAAF: How much of your total department staff was in these branch offices versus a central state office?

NEVINS: When I first got there, about two-thirds of the employees were in the field with the business taxes. Then, we had 200 people on property taxes and we had a few branch offices for property taxes too but roughly two-thirds were in the field. That's changing now. I would say that there's only about 55 percent in the field that work on the business taxes now and the rest are in headquarters. The headquarters always seems to think of peachy schemes to get more people up there. I've never thought that was very good because I don't think Sacramento's the center of the universe intellectually or any other way. I don't see why we have to have it that way, but

that's the way it is. But people up there get very detached from what's going on in the field. The Sacramento Chamber of Commerce is great for having state headquarters in Sacramento. Then, the next thing you had some cut in the budget, so you cut the travel budget. So the result is that people can be in Sacramento for ten or twelve years and not realize that stuff has changed a lot out in the field. Alameda [County], Contra Costa [County], L.A. [County], Sonoma County have grown a lot, and things aren't just in the same place they were ten years ago. I mean, if you've been driving to San Diego County in the last ten years, it's just totally different now than it was. People look at it the way it was ten years ago, which is "out to lunch."

de GRAAF: One other thing that surprised me a little bit would not be until 1971 that the boundaries of the Board of Equalization were changed. I always thought that 1958-1959 would have been a good time to have reapportioned the boundaries. Was that seriously considered?

NEVINS: Well, I considered it but in 1960 there just wasn't. . . . The state senate at that time was controlled by the Democrats, and they didn't want any reapportionment or anything; they didn't have to reapportion. I guess the assembly got reapportioned in 1961 because [Phil] Burton was involved with that. But the senate, of course, was not reapportioned; congressional districts were reapportioned

because we got new ones and had to. But the board wasn't reapportioned. We were sort of tied in to the senate problem. Then when the state senate got reapportioned, then you could reapportion the board. The state senate was reapportioned in the late sixties under, really, pressure from the courts. I got the board reapportionment of 1971 through [with the help of] Merv Dymally and Walter Karabian; Merv carried the bill, and Walter got it through. Anyway, I got to draw the boundaries of my district and essentially drew them for the other board members, too. We made a policy in doing it to have a cut of only one county and one city in the state, and that's what made that bill get signed by Governor Reagan is that we didn't play a lot of games. That was the only apportionment bill he did sign.<sup>1</sup> We felt that our clients were cities and counties, and we just didn't want to get multiple board members involved in counties, that that would just cause a lot of confusion.

de GRAAF: So you basically honored county boundary lines except for your district.

NEVINS: For L.A. I could have designed a district where I didn't cut the city of Los Angeles, but it makes a very unhandy district. It wouldn't have been helpful to me personally to do it, so I didn't do it.

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1. S.B. 19, 1971 Reg. Sess., Cal. Stat., ch. 1796.

de GRAAF: One other thing that fascinated me. You were one of three new members of the board in 1959: yourself, Alan Cranston. . . . I believe John Lynch was the third new person?

NEVINS: Right.

de GRAAF: Did Lynch also defeat a Republican incumbent?

NEVINS: Yes, he did.

de GRAAF: So this was quite an ideological, or at least a political, partisan transformation, wasn't it?

NEVINS: Yes, it was. The two Democrats who were on the board, [George R.] Reilly and [Paul R.] Leake, were rather conservative Democrats; they were not radicals under any stretch of the imagination. They were really ideologically closer to the Republicans that had been there than they were to us. We were viewed as being radicals at the beginning. Anyway, we had to make some immediate decisions, and I was the one that made a decision to keep Dixwell Pierce, even though we had the absolute right to dump him.

de GRAAF: The Board of Equalization has the right to hire and fire the executive secretary?

NEVINS: You bet. My decision to keep Dixwell was made on the basis that we all looked like sort of young Democrats to the business people in California, and I felt that if Dixwell got out of hand, we could always dump him. But it would look better to the people if we kept Dixwell in. He had a good

reputation, and we didn't have any reason to dump him other than that we could put one of our guys in, and we really didn't have many people coming to us to get the job. So Cranston and Lynch went along with that. We made the decision in Fresno before we got on the board. No Brown Act. We wouldn't be covered by it. If you're not in office, you can't be covered by the Brown Act even though you made the decision.

de GRAAF: Did you come in with any particular agenda for what state tax policy needed?

NEVINS: I tell you, the first one is that I wanted to do this reorganization and increase the efficiency of the board. I wanted to get rid of deadwood; I knew there was quite a bit of deadwood at the board at that time. There were about 100 employees we didn't need. There were 200 people left over from this patronage appointment in 1933, and about 100 of those were no good. I wanted to try to ease them out. I wanted to improve the quality of some of our administrators, so that had some effect on tax policy. We're talking about business taxes. Now, on the property tax side, I'd been supported by school people, and so I felt it very important to improve property taxes. Most of my energies, as far as reform and change was concerned, were put into trying to do something property taxwise, and I really put a lot into it over a long period of time. One of the things I did was,

when Dave Doerr got appointed---he and a fellow named Sullivan, who works for the city of San Francisco now, as the new staff people that Jesse put in when he got control of the legislature--their job was to make a real staff going in [the] Assembly [Committee] on Rev and Tax. So I steered them away from business tax. They came in and wanted to do a lot of that sort of thing. "No, you want to work on the property tax," and they did. They wrote A.B. 80. That was one of the first legislatively drafted bills. I'm sure they got help from our staff but they essentially put that program together. It had about 120 sections in when it started and it got reduced to around 90, I guess it was.

de GRAAF: Did Cranston, as controller, have any particular agenda personally in mind? First of all, one thing, being an elected official on the governor's cabinet, was he sort of the . . .

NEVINS: He wasn't on the governor's cabinet.

de GRAAF: Oh, he wasn't?

NEVINS: No. Governor [Edmund G.] Brown, [Sr.] never accepted us. We were independent, on our own all the time. We knew Brown personally. We were friendly to him personally. But as far as being part of his administration, we were never part of his administration.

de GRAAF: That included Cranston?

NEVINS: Cranston, Anderson, Mosk, none of us. He was very clear about that. We were not part of his administration.

de GRAAF: So you were not necessarily carrying out a Brown agenda?

NEVINS: No. We were elected totally independent of him. That was a mistake he made. I think if he'd have really looked at what was going to happen in the election of 1958, he could have put his arm around us and say he elected us. But he went out of his way to make sure that he was not identified with any of us. He went out of his way to be sure that he wasn't identified with any of these people. He thought he was the only one that was going to win. Even Clair Engle, he wasn't that close to. We pretty much campaigned together on our own. We worked together to help each other: Mosk, Anderson, Cranston, Betts, and the fellow running for secretary of state, Henry whatever his name was [Henry P. Lopez]. We were independent, raised our own money, everything. So we didn't owe him anything.

de GRAAF: So you, in effect, devised your own tax policy.

NEVINS: That's right, we did. Unless there's a big need, governors don't pay much attention to taxes, the day-to-day stuff. Now, the reason Brown got into A.B. 80 is that he was running for reelection, and this big scandal was going on and was making very tough press in San Francisco, which is his hometown. So he had to do something, so that's why A.B. 80 was just dead for awhile there. He revived it right after the primary in June of 1966 and rammed it through. It got through by, roughly, the first of July. It was all done bang

bang bang bang, like that. I think it was later than the first of July.

de GRAAF: No, that was in 1965-1966 that A.B. 80 went through.

NEVINS: Nineteen sixty-six?

de GRAAF: Yes.

NEVINS: It was after the primary. It seems to me the legislature stayed in session later in the year then than they do now. Now, they go out the first of July and they're gone about five or six weeks, something like, come back in the last part of August. In those days, they stayed on until about the middle of July and then went off, period.

de GRAAF: They had what were known as extraordinary sessions. As I recall, A.B. 80 was Chapter something of one of the extraordinary sessions of the legislature.<sup>1</sup>

NEVINS: Extraordinary sessions were always at the beginning, but it seems to me they went out in the middle of July, and then the governor had a month to sign bills, in the middle of summer. Then, they tried to have this session where they'd come back so they could override the governor's pocket vetos and then they would work. They've done a lot of prissy things over time.

de GRAAF: I just wanted to set what your agenda was when you first came

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1. A.B. 80 was enacted as chapter 147 of the statutes of California in the First Extraordinary Session of 1966. It was signed by Governor Pat Brown on July 8, 1966.

in because one thing that the annual reports of the board suggest was becoming not exactly a problem but a growing trend was that property taxes were getting more and more expensive. In fact, the board, year after year, from 1956 to 1957 on, keeps noting that the increase in property taxes was exceeding the increase in either personal income or assessed valuation.

NEVINS: That's right.

de GRAAF: Why would that be?

NEVINS: I think there's a combination of factors. One is, we were increasing the assessments. The next one was that you had these statutory tax rates at that time, like 1 percent for cities, that sort of thing. So if you increased the assessment, the city got more money, or [if] the school district had the statutory rate that they were levying, they'd get more money. The next thing I think you were having was that during this time you were getting more professional administration of local government, and people had all these things they wanted to do. Of course, professionals were helping the elected guys spend all this money that was coming in. So you sort of got a cumulative spending frenzy, you might say, and there wasn't a lot of self-discipline, really. That's one of the things that led up to Proposition 13 was that these groups had this vastly improved revenue base that the Board of Equalization [and]

legislature provided them, but they didn't hold back on their spending. That was the problem. But there was no question that there was tremendous pent up demand for government services: schools, cities, everything. I don't know where you lived at that time but California today doesn't look anything like it did in those days, no way. You drive along in these cities with nice streets and trees and stoplights. In those days, lots of cities right around here had dusty streets, two lanes with dirt on either side.

[End Tape 4, Side B]

[Begin Tape 5, Side A]

de GRAAF: [Getting back] to the property tax increase. That's interesting, your explanation of why it was occurring. Now, again using your annual reports, and correct me if you think this was a misimpression, they don't suggest any public clamor about this until about 1964-65. Are your recollections the same or did you get complaints about rising property taxes almost from the start?

NEVINS: In California, there've always been certain people who complain about property taxes, and it doesn't make any difference what the situation is. Just like there are today with the 1 percent raise in the Proposition 13 value system, which means no change, there are people who complain about taxes. So when you're a tax administrator, you know you're going to have somebody there complaining about taxes all the

time. You start getting concerned when you get other people, people who normally you wouldn't hear from, then you start getting concerned. I don't recall getting any real complaints that I felt warranted any concern until up in the seventies. Let's go back to one thing that might interest you since you're from the great county of Orange. Plum, the assessor, had this policy that he used his small appraisal crews where he could get the most value on the roll at any time. Let's say he had twenty appraisers. He'd move them around the county where the values had gone up the most and put them in there. We're talking about urban-residential, urban-business, industrial property. So he'd been doing that four or five years and he hadn't been going along the beach. In those days beach property went up but nothing like everything else. But he let the beach get very far behind so he went along the coast from the county line down in San Juan Capistrano up to about Huntington Beach and put his people in there and doubled the values of many of the school districts and cities along in there, and said it was the biggest waste of time he ever had in terms of assessed value. If you put them in other places, like in Anaheim, he'd have got a lot more value but he said, "I just had to do it to equalize." Boy, that's where you really got the tax revolt, right there. There was a fellow who's still alive, by the way, and he has a newspaper in San Luis Obispo County. He had one of

NEVINS: those local papers. The Daily Pilot, I think, was the name of his paper, which the [Los Angeles] Times bought out at a later time.

de GRAAF: That was in Newport Beach.

NEVINS: This was in Newport Beach we're talking about, and Costa Mesa. That school district got doubled and it had the effect of dumping the [county] supervisor. He was up for election and he was some sort of weak sister and he got defeated. He was replaced by somebody who died, and this newspaper publisher was appointed in his place. One of his jobs in life was to try to keep the tax revolt down along there because there were quite a lot of people who voted and, of course, it was one-fifth of the county. He had a terrible time of it and got defeated again. And [Thomas F.] Riley, the present supervisor in there, is the first one that's been able to hang onto that seat [Fifth District]. If you go back and look at that seat from 1959 on, you know it's been turned over and over and over. Riley seems to have found the right formula to hang onto it. If you're talking about tax revolt, that's the only one I really knew about and could really put my finger on in that whole time. But it was caused by the 100 percent increase. So we would go to boards of supervisors and say, "The way to get away from that is just don't let your appraisal staff get too small. If you've got all these values coming on, put more people on, keep it up,

then you don't have this big riot." That was pretty compelling.

de GRAAF: And to this day, is the size of a county's appraisal staff entirely up to county government? There are no state guidelines or mandates?

NEVINS: We try to advise them on what you've got to do. It's the post-Proposition 13 assessor's staff that's a very difficult administrative problem because you only reappraise the stuff that's been sold and you do the new construction. If you don't have a lot of new construction and a lot of stuff sold, you don't have that much action, right? Now, business personal property, not including inventories, is still on the roll and is still reappraised every year, so you've got to have a staff to do that. You've got to have a staff to keep track of sales and stuff like that. They usually call it a research department or some goddamn name like that. Let's see if I can remember. They have a funny name for it, I wish I could remember what they call it. But anyway, it's a group of people whose job it is to keep track of what's going on the county, so if things start to get moving, they can go to the board of supervisors and try to get some new hires. For a long time after 13, boards of supervisors were pretty cool about hiring people in the assessor's office. They all laid them off at the beginning. Somewhere along in there, beginning about four or five years ago, the boards of

supervisors suddenly realized the fastest growing revenue source they had in the county was the property tax, and they got a big hunk of that. So all of a sudden, they got really interested in keeping the assessor's staffs up, and I don't think any assessors that I know of today have any real problem with staff; if they just go and ask for it, they'll get it.

de GRAAF: But back in the fifties and sixties, they were.

NEVINS: They were having real serious difficulties getting staff. Of course, the rest of the staffs in the county weren't very professional, either. It all goes together. You say you're from the county of Orange?

de GRAAF: Yes.

NEVINS: God, what a bunch of cowboys you had down there. [Laughter]  
Jesus.

de GRAAF: A couple of other issues and then I think we'll be to A.B. 80. One that seems to grow through the early sixties was the idea of some special assessment or relief for open space. The first glimmer of this seems to be the proposition in 1960 that gave special assessment rates to privately run golf courses.<sup>1</sup>

NEVINS: Right. I failed to write the argument against that one, and it passed. Bob Hope carried the bond, and we thought that

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1. Proposition 6 (November 1960).

was a real stinker. What that did is it set up these so-called nonprofit golf courses, and there was a way to do it where you could end up owning the land. You built houses around it. Then, you'd sell the houses because they were around the golf course, right? So you got a higher value because the house was on the golf course. Well, you keep the golf course there ten or twelve years, then you could just take the golf course away. You'd have a nonprofit golf course, but it wasn't one of these perpetual nonprofit things, so then you'd just subdivide the golf course. Especially you could do that in unincorporated areas. It would be very hard to do that in a city, but you could do it in an unincorporated area and probably get away with it. That happened up in northern California quite a lot, as a matter of fact. We felt it was totally uncalled for, that people who played golf certainly ought to be able to pay the property taxes on it. It takes about sixty acres to make a golf course. Most golf courses were out in the country anyway and the ones that were in the city were generally owned by a city, so it wasn't something you could tax anyway. So what were we really talking about? We're just talking about a scheme to reduce the taxes of a speculator so he could hang onto his property longer.

de GRAAF: In 1962 came the two propositions we alluded to earlier, one which would have set up special assessments on agricultural

land and the other one, interestingly, would have done the same for historical property.<sup>1</sup> Now, did the board take a position on either of those in 1962?

NEVINS: I don't think the board took a position. I opposed the open space one, and I believe I wrote the ballot argument against that. On the historical property, did that pass that time?

de GRAAF: No. Both of them were defeated.

NEVINS: The historical one, I felt and I still feel, had serious problems. The problem there is that you get a piece of property, like the Gamble House, that happens to be a home. But you can have a piece of commercial property and you characterize it as historical and, in effect, you put the guy that operates it, or the owner of it, in a better position property taxwise. Remember, we're talking about much higher rates than we are now. And he's in a much better position than somebody else and he's just head to head competing. He could have a drugstore in it or anything he wants. You were supposed to go through a lot of baloney but the groups that were working on this didn't amount to much in those days. The laws they passed weren't very strict. Anybody could go out and put just about anything in there.

de GRAAF: You're right. This was before the National Register of Historic Places was really formalized.

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1. Propositions 4 and 11, respectively, on the November 1962 ballot.

NEVINS: It was pretty Mickey Mouse, and I just didn't get with it. I opposed it all the way. I don't approve of property exemptions. I think they're a big pain in the ass myself. I think that the people who have those properties always want all the public services just like everybody else. Here, you get these properties, churches, and all this stuff, and they're not contributing.

de GRAAF: Do you have any recollections as to why these two-- historical and agricultural--land propositions failed in 1962 when the private golf courses had passed two years earlier?

NEVINS: We didn't get organized. Nobody did anything against the golf courses, but they did something against the 1962 one. Brown was running for reelection in 1966 when the Williamson Act passed. They had already passed some statutory stuff, which was made legal by the passage of the constitutional amendment. Nobody said that, but that's the fact. Governor Brown thought he was in trouble, and I guess he was; he was running for the third term. So he embraced this Williamson Act. Williamson was a Democrat from Bakersfield. I don't know, but I think he gave up office that year. He got licked that year, I think. I think he'd been a legislator about three or four terms and then he got licked by a Republican. I'm pretty sure he got licked in 1966.<sup>1</sup>

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1. Williamson was defeated by William Ketchum.

- de GRAAF: So what you're suggesting is that you, at least, were never particularly persuaded that open space was endangered by the property tax.
- NEVINS: No. I felt that if a county wanted to have open space, even if they got these open spaces, they should use their zoning power to preserve the open space, and they should be prepared to fight it out with the owners of these things. If this is so important to them, then they should use their zoning power. I don't know when the year came that all the counties had to have a general plan.
- de GRAAF: It was the late sixties sometime.
- NEVINS: They didn't have it at that time. Then, when the people did get the Williamson Act, very few counties put any zoning around the Williamson Act stuff, and you sort of had scandals in your county just on that very thing. Gosh, you'd have an open space and somebody's building there thinking, well, gee, this is going to be open space and I'm going to be living in the country. Next thing you know, boom! It seemed to be that you needed some guarantees that it wasn't going to go away, other than the ten-year rule that was established. And second, it seemed to me that if you were going to grant open space, you at least ought to have some kind of public access to it. I don't say that you guys can trample all over the wheat fields, but it certainly seemed to me that the guy should let there be paths through the thing to go from one

place to another and that kind of stuff. Well, they never did that as far as I know. So what you had was a thing where this guy got a gift of the public money for nothing, excepting that he wanted it in the open space. Then, the bulk of the open space property in California was not where the people lived anyway. It was up in the San Joaquin Valley and was just a tax gimmick.

de GRAAF: Was the Williamson Act in part a way of offsetting the fact that your more efficient administration was beginning to raise rural tax assessments?

NEVINS: Yes. No question about that. But one of the things about raising assessments is it puts more land on the market and makes the market an efficient allocator of ownership of land. When you get rid of property taxes on land, then there's no impetus to sell it. The reason the Pilgrims and those guys in this country got so hopped up about property taxes was that they didn't want to have big holdings like the English aristocracy had. If you were going to own a piece of land, you had to use it. Well, now we're going back to all being goddamn aristocrats. I don't understand that, but that's what we're doing.

de GRAAF: Ironically, I think, the environmental movement has had quite a bit to do with that.

NEVINS: Well, they're aristocrats, so what do you expect? I'm for saving parks and nice looking places and all that kind of

thing, but I think you can do it with your zoning power. You can do it with your planning power. You can work with the owners of these properties if they really are interested in that stuff. We've done it with timber; we've done it with lots of things. I don't think you have to give a tax break too. In this case, we gave the tax breaks first and then came in with the planning, as far as I can see. If the purpose of this open space was to make it nice around cities, it didn't do that because there's precious little open space. The only open space in L.A. County--of course, the supervisors wouldn't buy the idea--was Catalina Island. Then, they went out and got a charitable exemption. I voted against it, and the goddamn court gave it to them.

de GRAAF: Now, one thing--it may have been a minor issue, I don't know--but I noticed all the way through the early sixties you were in something of a battle with insurance companies over the retaliatory tax.

NEVINS: This is a legislative scheme and I don't remember spending much board time on it. We just levied a tax<sup>1</sup> and forgot about it. I think the companies pretty much went to court on that one.

de GRAAF: They did.

NEVINS: We didn't have an effective insurance hearing procedure until

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1. A.B. 1579, 1959 Reg. Sess., Cal. Stat., ch. 2120.

sometime in the seventies. There was nothing in the insurance code authorizing a hearing. I remember one time we finally got one company that had some real grungy problem and they didn't want to go to court about it, so we just used the hearing procedures for the sales tax to deal with them. Then, by this time, I started getting on legislative committees of the board and so the board supported putting in the insurance tax law, a regular hearing procedure like we had in all the other tax laws. The insurance tax law is one of these real. . . . Industry-written tax bills are the pits; they just don't have all the fundamentals. So we had to go and get it in in order to handle the business that came out of the thing, and then we started having a lot of insurance tax hearings after that.

de GRAAF: But you don't recall that it was a big board issue.

NEVINS: I don't remember talking much about it. It's pretty mechanical. I mean, the other state levies the tax against you, so you levy the tax against them; it's just as cold as that.

de GRAAF: There was another irony. There had been a motor vehicle transportation license tax. I think this was basically a truck and bus tax?

NEVINS: We got rid of that.

de GRAAF: Yes, but only after quite awhile. It was passed in 1937, and I see references from the mid-fifties on to the board saying

it's a very expensive tax to administer, it's an unfair tax, legislature repeal it. But it didn't get repealed until 1973. Why such a long delay?

NEVINS: This is a spite tax by the railroads against the trucking business. It was only against common carriers. It wasn't against private carriers; it wasn't against truck owners generally. It was just against common carriers. It didn't apply to the carriage within a city. If you were a common carrier and you just operated inside the city of Los Angeles, you didn't pay any tax. But if you went over to Inglewood, then you paid the tax measured by the charges you made from the shipment from L.A. into Inglewood. Or if you went into unincorporated county territory, that's going outside the city boundary. So we get into some really weird deals, and one of the weirdest ones was that this trucking company in Vernon or someplace like that had a piece of property all in Vernon, excepting the railroad right-of-way was unincorporated. It was right next to their property. So sometimes they went into their property across this thing and sometimes they didn't. Well, how do you do that? In Fresno, we had one where the unincorporated county was in the middle of the street, and the trucker had his business there. So when he went out and turned right, he wasn't subject to the tax; if he went out and turned left, he was. I mean, stuff like that. Well, we just laid it on the legislature. What

happened was that George Miller, who was the big senator at that time, in the early sixties got the rate cut from 3 [percent] to 1.5 [percent]. Of course, that made the expense a greater proportion. Finally, I don't remember what we did. Reagan was governor, and we just really pushed hard on that one and said, "This tax is so bad." Here is this expense collecting this thing. It was one of these taxes all went to special funds, one of those deals. I think the way we sold it to the Reagan people is, "If you get rid of this tax, we can take the auditors in that and get a lot more money on the sales tax, which you can spend." You suddenly get their attention when you do that. That's, I think, how we got that one done. The audit hours and recovery on that one was terrible. I mean, first they did it a 1.5 percent rating. You always had hearings. I mean, it was a zoo.

[End Tape 5, Side A]

[Tape 5, Side B blank]

[Session 3, March 9, 1989]

[Begin Tape 6, Side A]

de GRAAF: Mr. Nevins, we left last time in the mid-1960s, so I think I would like to pick up with the property tax issues in 1964-1965, because that certainly seems to have been a year of action. The assembly had a multivolume study that came out in 1964-1965. The Unruh-Petris Bill came out. Pat Brown had his own nine-point plan, and the Board of Equalization came out with a fifteen-point plan. Obviously, a person would scratch his head and ask why all of this sudden interest in taxation and property taxes.

NEVINS: There were a number of things that came together in the late fifties and early sixties. The schools were expanding at that time very rapidly. This is the time of the so-called baby boom so there was a big growth in school population. The districts needed money to build new schools, to expand classes, to improve the quality, and all that sort of thing. At that time, the property taxes were 80 percent of the support of public schools in California. The state [gave] 15

[percent], 16 percent, and there was a little federal money, even in those days. So the pressure was on county assessors and the board to try to improve property assessments and make them more fair. There are, really, two issues that go together with property taxes. One is, is there some relationship in every county to market value? The board early on picked out 25 percent. This seemed to be the average assessment level. In other words, property was taxed at 25 percent of its value. People like me said it should be taxed at 100 percent, and the rates be lowered accordingly. But in any event, that was the first issue. Among the fifty-eight counties of California, there was a great variance about what the assessment level [should be]. Some counties were down to 15 [percent], 16 [percent], 17 percent, some were up around 23 [percent], 24 [percent]. Before I got on the board, they'd issued these so-called equalization orders to raise the counties up to. . . . I forgot what number we raised it to. It says in the annual reports. It's like 24 percent or something like that. This is a clumsy approach. I think while I was on the board, we raised two counties, and they agreed to the raises. In other words, the assessor let us take the heat for raising the value.

de GRAAF: I guess there was an arbitrary percentage; you didn't have a set formula or ruling.

NEVINS: Not really, and that was one of the problems. So about the

time Dave Doerr was hired by the legislature when Jesse Unruh started his reforms and, as I recall, Dave came on about 1962, 1963, somewhere along in there. He's the one that started the legislature making these studies that you discussed here in the little brown books.<sup>1</sup> The point I'm trying to make is, a lot of different people were interested in getting property taxes fixed up.

The next issue was trying to have uniformity of assessments within the county of all the different kinds of property--that is, business property, farms, industrial property, business equipment, and homes. A lot of counties had gotten into the practice of keeping home assessments low. Alameda County and San Francisco County are good examples of that. In San Francisco County, the assessment level average was around 24 percent, but what they did is, they assessed business personal property at 50 percent and the homes around 11 percent, and they kept business real estate fairly high and then took care of their friends. This

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1. These were fourteen volumes put out by the Assembly Interim Committee on Revenue and Taxation, chaired by Nicholas C. Petris. The series is Assembly Interim Committee Reports, vol. 4, nos. 8-21, and they came out between late 1963 and 1966, with the majority coming in 1964. Each volume reviews a different category or facet of taxes. David Doerr coauthored three of these, including Taxation and Property in California: A Major Tax Study, by far the longest report. The senate issued a parallel series of studies from its Senate Fact-finding Committee on Revenue and Taxation, chaired by George Miller, Jr. These were nine individually titled reports, all issued in 1965. Both committees were formed in the 1963 legislative session to undertake a "comprehensive study of the tax system" currently in effect in the state and localities, and some of their findings were incorporated in the Unruh-Petris Bill of 1965 and subsequently in A.B. 80.

NEVINS: business of taking care of their friends was what got the assessor into jail eventually. So we got into this business. You'll see this word called "coefficient of dispersion" somewhere along in these annual reports. What we were trying to do is to get all the different kinds of properties assessed at closer to a uniform--a standard ratio, as I call it--percent of market value. These things were all coming together at the same time. The board had improved its ability to advise assessors in its Division of Assessment Standards. We had a Division of Intercounty Equalization that could measure assessment levels much better. Ronald Welch who, incidentally, is still alive, developed that whole process. So we were publishing this information for the first time. We started doing that in the sixties. I think before that the information had been available but had never been published. Anyway, we started publishing this information. We started talking publicly about coefficient of dispersion. About the same time, there had been a big turnover in assessors' offices. When I first came in, a lot of the assessors had been elected to the job in the late thirties and during the war. About the time I came in, there was a turnover of new, more professional people, people who were real appraisers and weren't sort of county employees that needed a job.

de GRAAF: Historically, had there been any particular qualifications for a county assessor's job?

NEVINS: No. In the election world generally, qualifications are pretty hard to establish because then you run into different kinds of biases. I believe the attorney general's the only one that has a qualification. I think he has to be a member of the bar. But there was a time in California where he didn't have to be a member of the bar. Justices of the California Supreme Court also did not have to be members of the bar for a long period of time. I know they have to be members of the bar now. In any event, the board started working with county supervisors, and we had a very close relationship with the supervisors' association, with the League of Cities, and with the school people to try to improve the quality of people working in assessors' offices, trying to get salaries that would attract professional, quality people. Let me give you some numbers that will help you with this a little bit. When I came into office, a typical assessor's office was spending 85 percent of their budget on the mechanical process of getting out of the roll, typing it up and all that stuff, extending the rate. What we wanted to do was get that down to 10 [percent] or 15 percent of the budget and have 50 [percent] or 60 percent of the budget spent on appraisers' salaries, and then have support clerks for the other work. In other words, a lot of the work is rather routine and we wanted clerks to do that. We wanted to have regular reappraisal programs established in the

counties. We'd like the counties to at least reappraise 20 percent of their property every year, and more if they could. We wanted to have audit programs on the business inventories and equipment so that the statements filed by the taxpayers, we could be assured, were reasonably correct.

de GRAAF: Before the mid-sixties, there were no regular audits of business inventory?

NEVINS: Very little. In the sixties, I would say that we went from practically no audits to lots of audits. I would say that most counties, by the end of sixties, had a complete audit program. Most of the counties, not all of them. We started on this business of collecting data on sales and residential property. One of our people, [Robert] Bob Gustafsson, developed a system where you could correlate home sales with certain indicators, and one of the best indicators, it turned out, was building costs. In other words, if building costs went up 5 percent, then you usually found homes went up in value 5 percent. We collected a lot of information which put counties in a position, if they chose to, using their new data processing systems which they were using to get out the roll, they could use the same equipment to estimate the selling prices of residential property. By the time Proposition 13 came along, some counties were in a position to estimate the selling price of apartment houses, if they weren't particularly complicated, and smaller commercial

property. Ventura County, in particular, was in a position to do that. Orange County had a lot of capability but their assessor had some problems.

de GRAAF: Was that [Andrew] Hinshaw?

NEVINS: Hinshaw eventually went to jail. I knew Andy quite well, unfortunately. What we were doing is, we were beginning to change the assessing, which had been sort of a clerical function through the forties, into a professional appraising operation. California was a leading state in the United States in all this activity. If you go back and look at the property tax collections, you'll notice they just soared in the sixties.

de GRAAF: They did, yes.

NEVINS: Like, doubled every three or four years. This, of course, is one of the things that led to Proposition 13. It was my feeling that we were too successful in our work--and Dave Doerr was one of the first to remark on that--in that the spending people really didn't hold back on the revenue that they were getting. They had these statutory rates that they were allowed to levy and they just went ahead and levied them without regard for the fact that they were getting maybe twice as much money as they were before. This was particularly true in the seventies, by the time we were really reaping the harvest of all this technical work we had done in the sixties. There became all kinds of problems about what we should do about the revenues.

de GRAAF: I may be getting a little far ahead now. I'm interested in all of this building up to 1965, and I certainly appreciate the technical things you're doing, but how does this tie in with the appearance of an Unruh-Petris Bill and a Brown plan and so forth?

NEVINS: I'm not sure I can remember all the dates precisely but it seems to me that the assessors' scandal came on about . . .

de GRAAF: July 23, 1965.

NEVINS: Is that the day it came out?

de GRAAF: Yes.

NEVINS: On Memorial Day of that year, a man stole the records of a tax agent that he was the employee of and hid them in his mother's garage. He then found an attorney named [John] Thorpe in the great city of San Jose who realized that he really had something. Thorpe sold the rights to the story on this assessment scandal to the San Francisco Chronicle, which was in a circulation war with the [San Francisco] Examiner. What this sale had was the effect that this story was going to get published. It wasn't going to be one of these stories that was going to die. The man--I'm sorry but I can't remember his name [James C. Tooke]--was one of these people who kept records with tremendous precision.

de GRAAF: This is the man from whom the records had been stolen?

NEVINS: Yes. He was one of these compulsive record keepers and he represented a lot of Eastern tax agents as well having

clients of his own in California. He had a lot of the major corporations in California, and he kept a record of how much property tax he saved and how much he, in effect, paid the assessors that he worked with. When this stuff got revealed, the first county that really worked on this was Alameda County, and the man who was the district attorney [J. Frank Coakley] had ambitions to run for governor, president, all that kind of stuff. I'm sorry I can't remember all their names but if you go back you'll find that he was a man with presidential ambitions in his own mind; I don't think everybody else agreed with it. He was really very upset that he had to go ahead with this prosecution of the assessor [Donald E. Feragen], who, in this case, was the successor to a man who had really been more of a crook than this guy. But in any event, he did prosecute him. At the same time, this issue came up in San Francisco because San Francisco was the leading county: this county sort of handled the things for the whole state. In other words, if you were a tax agent, you came to the San Francisco assessor. He would take care of your problems all over the state and pay off all the other [assessors]. We didn't, of course, know all this in 1965, but we found out about it later. Anyway, this scandal highlighted the fact that there should be a much better statutory system in property taxes than there had been. Thus, these bills came into being, and A.B. 80. A.B. 80 had

NEVINS: about 120 sections in it when it started in the legislature and it sort of languished through the primary of 1966. The scandal came out in the summer of 1965, but the prosecution didn't really start until after the primary of 1966. Pat Brown, the great governor of California and a friend of mine, felt that he should have some legislation in this area in place so he revived this A.B. 80, which had not been moving very well, and got it out. They dropped off about 25 or 30 sections of it so I think it came out with something like 100 sections, an awful lot of sections. It gave the board a lot of authority; it established a 25 percent ratio, and God knows what else it did. I can't remember all of them.

de GRAAF: I'll get into that in a minute. But the other thing I'm interested in, and it seems to me that these came out a little bit before the assessors' scandal broke. That is, the Unruh-Petris Bill was introduced in the spring of 1965, before the assessor's scandal came out. It never passed both houses, but it seems like that bill was almost more of a spinoff from the Doerr reports that the assembly was putting out.

NEVINS: Doerr had an interesting experience. The assessors had a conference in Sacramento. We used to go around to different counties to have our annual conferences, and he came to the conference in Sacramento in 1963 or 1964, right after he'd gotten this job with the Assembly Revenue and Taxation

Committee. He saw the thing in action. There was a motion on the floor for the assessors to adopt a standard ratio, and then there were all these speeches and stuff. I think there were four votes cast for a standard ratio, and I was one of them. Doerr got the picture that there was something really [going] wrong at that point, and that's, I think, one of the things that really got all this going. He realized there really was a problem and maybe we'd better do something. I can't remember all the facts, but I think, from a historical point of view, there were a lot of people out there that wanted a better property tax assessment system.

de GRAAF: Now, as you recall, did these studies that Doerr and his staff did for the assembly exclusively focus on property taxes or did they look at the whole taxation issue?

NEVINS: No, they looked at every tax. But the property tax one was clearly the most significant because that had the most action on it at that time.

de GRAAF: It seems that there were two basic thrusts to A.B. 2270, the Unruh-Petris Bill.<sup>1</sup> Correct me if I'm wrong. One was

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1. The Unruh-Petris Bill, A. B. 2270, 1965 Reg. Sess., proposed a program of local property tax relief. Its main form of relief was the exemption of business inventories, and that is being suggested as a form of equalization. The act was especially prophetic in its proposals for offsetting the revenue loss by increases in cigarette taxes, income tax rates (in higher brackets), and small increases in sales, bank and corporation, and inheritance taxes. It also called for income tax withholding ("pay as you earn"). A.B. 2270 passed the senate but died in

several recommendations for what I would call tax relief. They were going to exempt householders' possessions and personal items. I know the Brown proposal had what looks like the first proposal for senior citizens' property tax relief. So that was one thrust that, of course, we see in the later Watson amendments and, finally, Proposition 13. Now, the other thrust was one you've already dwelled on, reform and equalization. These two, to me, seem like they are somewhat different directions of tax policy. The relief is a more broad base, telling all property taxpayers they are going to get a reduction. Equalization is telling certain groups that were overtaxed as, you said a few minutes ago, business properties tended to be, that they were going to be equalized with others. But it didn't necessarily tell the average taxpayer that he or she was going to get much of a relief. Is that a fair appraisal of the two different thrusts?

NEVINS: Looking at it from my point of view, I supported the senior citizens' property tax relief program. The thing I supported was a program that had been originally started in Oregon, and it was related to income. I think the way the program

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the assembly in June 1965. Its provisions became the focus of tax legislation and proposals in subsequent years, and many were eventually enacted into law, in modified forms.

finally came out, it was administered by the Franchise Tax Board and became a refund on the income tax base.<sup>1</sup> The assessors had been involved in it at the beginning, and it just didn't work very well. Then there became this set amount of relief that was \$1,000, something like that. One of the things that they were trying to get rid of at that time was the veteran's exemption, which was a real nuisance. It was very expensive to administer; there was a lot of fraud in it. So one of the [unstated] goals that this \$1,000 thing had--I'm sorry I don't remember all the facts on that but I'm sure the annual reports explain it--was to knock out the veteran's exemption, which has gotten down to where it's just a nothing now. The only thing you get the veteran's exemption on now is, basically, personal property. If you own a boat or something like that, you can get it on that, and some people do at this time. It was a big factor; it was complicated to administer. And some offices just spend an awful lot of time administering the veteran's exemption when it really didn't do much for anybody, but people did it. Doerr was one of the people that wrote that. You couldn't

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1. The Senior Citizens Property Tax Assistance Law, subsequently designated as the Gonsalves-Deukmejian-Petris Act. S.B. 556, 1967 Reg. Sess., Cal. Stat., ch. 963. S.B. 556 as amended in the assembly also set aside two funds which were the beginning of business inventory exemptions, each gradually expanded from 1968 on.

NEVINS: get both. You could either take the veteran's, which was less, or take this other one, which was more.

de GRAAF: Homeowner's exemption.

NEVINS: That's the one. So that had that beneficial effect and put homeowners more on an equal basis than so that the veterans didn't have an advantage over the others. Really, there was a real question about the veteran's exemption. It had been put in after World War I but World War II veterans, of whom I was one, had had a lot of other benefits which World War I veterans never had. We really weren't as wedded to the idea that we should have a property tax exemption as the World War I veterans did. And, of course, we were a lot more numerous.

de GRAAF: Yet, the veteran's exemption has never been formally repealed, has it?

NEVINS: As far as I know, it's still in existence. But as I understand it, nobody advertises it and the veteran really has to know about it to go get it. Basically, he has to use it on something other than his home. One thing on the senior citizens part. At that time, there was a lot of information available that senior citizens were really rather badly off economically. As politicians, we knew they voted, and they had a tendency to vote against everything in their communities. Pasadena was a very good example of that. They were holding back schools and everything else. We thought if we could just take the edge of this property tax off, we'd

keep them out of these things where they didn't really have much financial interest. I don't know whether it was very effective. I don't think it was that effective a program, really.

de GRAAF: Was George McLain active by this time?

NEVINS: He was pretty much out of it. I met some of his people. There was a woman that was sort of the inheritor of his organization and, basically, they got into having a home for the aged in Fresno and were really not a political force by the time I got into politics. I met them, but they didn't make much out of me.

de GRAAF: So there was no significant organization or person a la Howard Jarvis beating the drums for senior citizen property tax relief at this time.

NEVINS: No, not really. I think that the people who were pushing for senior citizen relief were, again, school and community people who were trying to get bond issues passed and things like that. They felt, gosh, if we get these people out of our hair for a very small amount of money, we can get our bond issues passed. I think that was really what was motivating those people.

de GRAAF: Sticking with 1965 for a minute, the other thing that fascinates me is that here you have a Democratic governor, the Democrats in control of the assembly and the senate, and yet, you have complete disagreement. The Unruh-Petris Bill

passes the assembly, but the senate won't buy it. Brown puts forth his own nine-point plan and neither house will buy it. How do you account for this discord among the Democrats over tax relief and reform in 1965?

NEVINS: I think there were a lot of things. First, the senate, even though it was controlled by Democrats, if you go back and look at the composition of the senate at that time, you'll find that there were quite a few old fuddy-duddy types there. Hugh Burns was definitely in charge--he just died [November 1988]--and the senate, basically, was quite a conservative organization at that time, much more conservative than the assembly. I don't think you can say that today. But at that time, it was a more conservative group. You have to remember how it was apportioned in those days. The senators were very close to their county supervisors and local government, and if the local government people didn't want some of this stuff. . . . Remember that the small rural counties were overrepresented in the legislature and the senate. They tended to be some of the more backward counties on property taxes. They were loaded with farm bureau types who are clever tax avoiders. God, you just can't believe how skillful they are. I don't think that the programs of the school people and others were really very clearly presented, in some cases. They used to come up with pie in the sky. I don't think they made their programs

clearly needed enough, if you can follow that line of reasoning. That's what you have to do in politics. You've got to get the need very clear, and I don't think that was that clear at that time. I think a lot of people felt strongly--and I was one of them--that education needed a lot of support, but not everybody felt that at that time. I think most people didn't feel there was that much of a tax problem.

de GRAAF: You don't have any grass roots tax revolt feeling in 1965.

NEVINS: No. There are always people in every area of the state--Los Angeles had them and I think Jarvis was beginning to get started at that time--who opposed tax measures. But everybody had been through that for years so there wasn't a new thing. You didn't feel there was some big problem out there. Remember, inflation was very low in those days, 3 [percent] or 4 percent a year, something like that, so that people didn't feel oppressed that way. Wages were rising faster than costs. There was a good bit of prosperity in California at that time, no question about that. So I don't think there was popular unrest. The only thing is, the people at the top saw this messy system bringing in all this money. Remember, the property taxes brought in as much money as all the other revenue plans put together and more than that. So the feeling was, from the state's point of view, if you're going to raise all this money, you've got to have a more modern way.

de GRAAF: Do you have any thoughts or reflections on Brown's relationship to the legislature? Because I was struck that his bill didn't pass either house.

NEVINS: I think Brown's problem was--and it's one that a lot of governors since have taken heart on--Brown just had too many legislative thrusts, and he didn't follow through on a lot of them. That was part of his problem. If he had a bill that he was really interested in and then really worked on it with the legislature, he could generally get it through. You know, go out and find the lobbyists that were in favor of it, try to deal with the lobbyists that were opposed to it, which is what you've got to do to get a bill out. When he really did it, he could get the bills out, there was no question about that. But he didn't do it all the time. He'd announce a program and then sort of walk away from it. I don't think he was that concerned about taxes. He came from San Francisco, and it really didn't have that big a problem with schools. It has a funny system compared to all the other counties. [San Francisco] schools at that time were run by the board of supervisors, as I remember. I don't think they got a school board until ten, fifteen years ago. He, personally, didn't feel very strongly about it. There were people around him that did, but he, personally, wasn't all wrapped up in it.

de GRAAF: That's a good point. Now, the other thing that I find very

interesting is that, apparently, after the defeat of the Unruh-Petris Bill in the senate and the failure of [Governor] Brown's bill to go anyplace and after the assessors' scandal broke is when the board puts forth this fifteen-point plan.<sup>1</sup>

NEVINS: Remember, I was dealing with older men. George Reilly was the youngest of the men. I was in my early forties. Reilly was in his sixties. Lynch was approaching seventy. Leake was in his seventies. The controller was Alan Cranston. Alan, remember, had these inheritance tax appraisers, and he was very close to them, and they were located at a county level. Each county had its inheritance tax appraiser. So he didn't like to rock the boat in counties any more than he had to.

de GRAAF: Were inheritance tax appraisers directly under the controller rather than the board?

NEVINS: They served at the pleasure of the controller, to use that wonderful expression, and he had appointed quite a lot of new ones. I think he replaced almost all of the ones that had it. The inheritance tax law that we had at that time had

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1. These proposals included several that had been in A.B. 2270 or Governor Brown's bills: senior citizen property tax relief, exemptions on household furnishings, and a property transfer tax. They also proposed greater opportunity for public inspection of assessors' records and for a system of assessment appeals boards. Prophetic of A.B. 80 was the call for uniform 25 percent of full value assessment and measures to improve intercounty equalization. These points were put forth in State Board of Equalization, Suggestions for Property Tax Legislation, October 1, 1965, and are summarized in its Annual Report of 1964-65.

been established about 1910, and there were people who had been appointed after the passage of the act that were still inheritance tax appraisers. They thought they owned the jobs. Some of them really got upset when they were fired, on the theory that "This is my job." Of course, it was a political patronage job. The controllers, historically, used these people to help them raise campaign funds and help their campaign in whatever county it was, and it was a good scheme, worked like crazy, there is no question about it. Every now and then, I meet one of these people. In fact, I met one the other day that still is an inheritance tax appraiser. They've changed the system a lot. They have exams and stuff like that. But we rented a house at the beach and here this guy came up that I'd know way back when Cranston was the controller and he lasted through the Republican controller and still was working down there. He was out looking at the house. [Laughter] I was surprised. Leake represented northern California, which had a lot of counties. Maybe half the counties in the state were in his district. He had an assistant, Anson Crutcher, who was very close to local government. He knew everybody in every county, took care of all these problems. They weren't too anxious to move ahead with any reforms. In other words, they liked it the way it was. I don't know how much you've dealt with small, local governmental units but it's sort of a club. I think Crutcher

NEVINS: and Leake's position was they didn't want to rock the boat too much. I'd say that Lynch was more interested. He had a lot of children--I think he had six or seven kids--and he was more interested in getting the school system going. He tended to favor my position more. Reilly just wasn't into programs like this at all. So it was hard to get this thing through the board. I don't know what moved Cranston to support it.

de GRAAF: I don't think there was anything in the fifteen points that dealt with inheritance.

NEVINS: No, it wouldn't have dealt with inheritance tax. I'm just trying to say that in a small county you have, usually, the chairman of the board of supervisors, the district attorney, maybe the chief judge, the sheriff, and the assessor. They meet every day or two at a restaurant for breakfast and discuss what are we going to do in this county today. That's the gist of what they say. The assessor knows where everything is; the sheriff knows who all the bad people are; the district attorney knows what he's going to do about the bad people; and the judge is, am I going to do it or not? All this separating of power you read about in books doesn't exist in small counties, or didn't in those days. You had to deal with a whole bunch of them.

de GRAAF: So what you're saying is that, instead of wondering about the details of the fifteen points, the first thing we should wonder is how they ever got through in the first place.

NEVINS: That's right. But they did. I think the pressure was building up, that's what you can say.

de GRAAF: There's an interesting official explanation for this in the 1964-1965 [Board of Equalization] annual report. Whoever wrote that report disclaims that the board was trying to do anything novel. Instead, it says, and I quote, "Our objective was to further a consensus."

NEVINS: That's sort of the way the board always operated. We tried to move the assessors along and get them to be their own moving party. Our control over them statutorily was rather slight. Then, you always had board members who didn't really want to use their power. It's funny about power. You hear everybody talk about it as if it's this horrible thing, and yet, a lot of people are afraid of it, afraid to really do things, afraid of the bad results that will come of it. And that characterized the board members, other than me.

de GRAAF: Before we leave the fifteen points, which, basically, it seems to me, were a combination of the Unruh-Petris and the Brown points, with a few more technical things that they hadn't thought of. Would you say that these were the foundation for A.B. 80, or was A.B. 80 shaped largely oblivious to these fifteen points of the board?

NEVINS: I think the board had a property tax program because they felt with all this stuff going on, it had to have something, and that, I think, is the reason they had a plan. These

other board members went for this because they felt, well, gee, here we are, the property tax agency of the state, and we don't have a plan. People will wonder why they have us. That issue came up. I think that motivated that plan. I was the guy who wanted to do a whole lot of stuff, and they wanted to be in a position where they said, "We're for all this stuff here." So that we wouldn't look like we were doing nothing. I think that was the position of the board.

de GRAAF: Is it fair to say that the centerpiece of these fifteen points was equalization of rates?

NEVINS: Equalization of assessments. As the board members became more aware of what was actually going on in the counties. . . . Remember, we were having these appeals that came to us from the counties. Our people would be out measuring these assessment levels. Our staff would appraise property that the counties had appraised, then we'd have a different value, a higher value, and this would make the county ratios low. I don't want to go into the mechanics of all that, although I think the annual reports explain pretty well what we were doing. The board was becoming aware that there were really tremendous dispersion problems in the county and that it really wasn't very fair to have some guy assessed at 25 percent and have somebody else at 8 [percent] or 10 [percent] or 15 percent. I think that just the daily grind of hearing these appeals got some of the people on the

board [thinking] you can't do this forever. The obvious problem in some counties was that the assessors had just been bribed. I mean, they must have been bribed, although we had no way of proving it. The ratios were just very low.

de GRAAF: A couple of things I'd like to mention before we get to A.B. 80, items that seem to have been lurking around the fringe but were never incorporated. You mentioned a few minutes ago that you actually, philosophically, favored full market value assessment.

NEVINS: Right.

de GRAAF: Did you push for that on the Board of Equalization?

NEVINS: Yes, of course.

de GRAAF: Did you have any support?

NEVINS: No, not on the board. It's a funny thing. That's what we got after Proposition 13. Within a year or two after passage of Proposition 13, they raised everything to 100 percent. I can't remember all the reasons for that, but we were at 25 percent and we had got the coefficients of dispersion down a lot by the time 1978 came along. People got the picture. The assessment appeals boards were another thing that. . . . People would start talking about how all this other stuff is low, why aren't we down there? The courts wouldn't lower them to that but it sort of got the heat on the assessors to get it up.

de GRAAF: In one sense, there seems to be a certain logic and fairness

to full market value assessment. Why do you think others didn't go along with you on it?

NEVINS: To do it fairly, you had to go and adjust all these statutory rates. It was a big mechanical job to do that. You had to adjust every one of them and you had to deal with all these school bills and all that. School finance got more and more complicated. School finance was very complicated by 1978. So when you did these things, you had to go in and make all the adjustments of all these other statutes. Otherwise, you could get some really weird results. It was a difficult thing to do but it was done after [Proposition] 13. Remember, the schools were then supported like 60 [percent] or 70 percent by the state, more like 70 [percent], after Proposition 13, whereas before, the state was 25 [percent] or 30 [percent] at the most. The state support of the schools wasn't very much.

de GRAAF: The other thing that I noted came up in 1965 was, I think that was the first year that L.A. County tax assessor Phil Watson floated this idea of a, I think it was, 2 percent limit on what was it? That was the maximum tax rate that could be had?

NEVINS: Yes. On market value.

de GRAAF: For full market value? Watson was willing to accept full market value?

NEVINS: Yes. He had two or three of these and so I have difficulty

remembering one from the other. One of his got into all kinds of other taxes, and I think that's why it failed, because he tried to limit other taxes and do a lot of stuff. I believe he had two of them on the ballot; I just don't remember.<sup>1</sup>

de GRAAF: In either 1968 or 1970 he did, yes.

NEVINS: Both of them got involved with other taxes. I think if he had had something to deal with property taxes [only], he might have been more successful. The thing, I think, that made Proposition 13. . . . I'm skipping around a lot, I can't help but do that. But the secret weapon on Proposition 13 was the limit on increase in assessments. I'm not sure it would have passed if it had just had the rate limit. But when people saw they could know what their taxes were going to be for a long time in the future, that was a very compelling argument to vote for 13. You got a tax reduction but you also got a guarantee; you knew that you were just going to go up 2 percent a year indefinitely. You can handle that.

de GRAAF: But the thing that struck me is that Watson's proposal, which I don't know if it was anything more than just a proposal in 1965 . . .

NEVINS: No, he had initiatives.

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1. See above, pp. 34-35, for a summary of the Watson Amendments.

de GRAAF: Initiatives? As early as 1965? I know he had them in 1968 and 1972.

NEVINS: He organized a group of people and went out and got this thing going.

de GRAAF: My point on the scene leading up to A.B. 80 is that his proposal seems to be the one that at first glance looks like it's a genuine tax limitation or ceiling. Most of the others were equalization, fairness, and so forth, rather than that. I wondered if you recall if the board ever discussed, in 1965 or 1966, up to A.B. 80, that approach of limiting taxes.

NEVINS: No.

de GRAAF: It didn't.

NEVINS: One of the members, Reilly, did. I'm not sure he understood all the ramifications of it. You've got to remember, Reilly was also from San Francisco, as was Pat Brown, and in San Francisco, everything's different from every place else. I just can't overstress that. These things that were big issues, or issues of a sort, say, in Santa Clara County or Marin County or L.A. County, they didn't count in San Francisco. So his motivation for these things was different from the rest of us. But I do think he did support one of the Watson initiatives. I think Reilly had ideas he might run for something statewide, and this would give him a handle. He never really put anything together, but I think he wanted friends in distant places.

[End Tape 6, Side A]

[Begin Tape 6, Side B]

de GRAAF: Now, let's go on to A.B. 80. As you say, it was a very complex piece of legislation, the central point of which was this standardized assessment rate. That was going to be something you gradually built up to, I think. It wasn't until 1970 that it was supposed to be fully implemented at 25 percent?

NEVINS: Yes. I don't remember all the mechanics of the bill, it had so many parts to it. But just briefly, it did get a mechanism to get the state to the 25 percent ratio. I haven't looked at the bill for a long time. Did it have the assessment appeals board in it?

de GRAAF: Yes.

NEVINS: About that time, there had been these things where the county board of supervisors had been the county board of equalization, and we had felt that that was not an appropriate job. It takes a lot of time. So somewhere along the line there--I believe A.B. 80 may have had part of the legislation--we wanted more time for taxpayers to be notified of their new assessments. We wanted more time for them to be able to protest. We wanted it to be at the administrative level. The county board of equalization tried on the facts; it's like going to court. Well, Jesus, when you get out of there, you've got problems. We wanted a thing where people felt that they had a bona fide opportunity to make an

appearance and go over their tax problems, and we felt the assessment appeals board did that. I believe it had been authorized by some constitutional amendment before A.B. 80, but that hadn't been used much.<sup>1</sup> Following A.B. 80, I think, pretty near all the big counties went into it as fast as they could. The supervisors were anxious to get out of that work.

de GRAAF: So A.B. 80 gave counties the option of setting up this board of . . .

NEVINS: I think the option had been set up, but it [A.B. 80] encouraged counties and gave better dates and all that. In the old days, you used to have go down to the assessor's office after the first of July, find out what your assessment was, file the appeal in writing, and then the hearing was the first of August. You never got a notice in the mail. So we set up a procedure to get a notice in the mail that had to be sent out around the first of July. Then the hearings; they first were just for sixty days, and now you can hear them all year. I don't remember all the other things we did, but what we ended up with was a system sort of like other tax laws so

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1. Proposition 15, County Tax Appeals Boards, was approved in November 1962 and set up sec. 9.5 in Art. XIII of the constitution. Initiated as A.C.A. 7, 1961 Reg. Sess., Cal. Stat., ch. 100, this measure authorized any county with a population of over 400,000 to establish such boards, which would act as boards of equalization. Sec. 9.5 was amended by Proposition 12, County Assessment Appeals Boards, November 1966. Its wording is identical to that in the 1961 amendment except for the name of the agency and a broadening of authority to establish them in all counties.

that you didn't have a time constraint that was just out of sight. You didn't have to have the board of supervisors, a lawyer, or anything like that. We sent out a form where, if you filled out the form, you, in effect, were preparing your case. That was the point.

de GRAAF: Another thing I noticed was in this bill was the opening up of assessment records. Prior to A.B. 80, was the amount that different properties were assessed pretty much a secret known only to assessors themselves?

NEVINS: I'm having difficulty remembering all the facts of the thing. But I believe that until somewhere along in there, maybe with A.B. 80, it was hard for a taxpayer to see his own file. Part of the reason for that was that a lot of assessors just had these naked files. The board and the legislature felt the taxpayer should see his own file. There's some problem with that because other taxpayers' material has to be taken out of his file because, when they make an assessment, they compare other properties. That gave taxpayers a much better handle on what the assessor was doing. I believe before that the taxpayers were not allowed to see it but they were after this, and there was quite a lot of squawk about that at the time. But anyway, we worked that out. Mostly it was big taxpayers that do that.

de GRAAF: Then you mentioned that there was also a provision for auditing of business inventories in A.B. 80.

NEVINS: Right. A.B. 80 required the auditors. It took quite a number of years to get that set up, as I recall. There were some counties already doing it. L.A. and San Francisco counties had a system, and a few of them had some auditors. But it wasn't a regular audit. I believe it tells how often they have to be audited in the bill, like every five years?

de GRAAF: Something like that, yes.

NEVINS: That program got going.

de GRAAF: Now, business inventory tax is sort of self-paying, wasn't it? Each business was supposed to assess its own?

NEVINS: It's like the income tax. You filed what amounted to a return. I forgot what they called it. The property tax and everything has its own name. But you filed a statement that showed what your inventories were on a certain date, I guess March 1. Another thing we tried to do was change the lead date to January 1. I think we have finally gotten that done now. God, that took a long time. And March 1 was just this crazy date that had been set up by the farmers to avoid taxes, see, because that's the day they had the minimum inventory. I think we've got that changed. That used to cause all kinds of problems because most people had records kept on a year-end basis, so then they had to make these adjustments. God, it was a zoo. Just training auditors was quite a problem because we used our sales tax auditing approaches to set up the property tax. That was, how do you

do it? How does an auditor go about doing it? What kind of records does he look at? We trained all these people to do this work and got that pretty well regularized, I'd say, within four or five years after the passage of A.B. 80.

de GRAAF: I know there were some, I think particularly within the Republican party, who felt the entire business inventory tax was an unfair or economically dysfunctional one. Do you recall in the debate over A.B. 80 if there was any effort to knock out the business inventory tax completely?

NEVINS: Ever since I was on the board, there were people who talked about the horrors of the business inventory tax, and I never could warm up to it. I felt it was a fair tax; I felt that it represented their exposure in their local community. We're talking about a tax, now, that raises money for the local area; it doesn't do anything for the state. You always hear about these merchants saying, "I brought my merchandise way down on March 1." If I knew all my competitors were having no stock on hand March 1, I'd sure as hell go out and have a good stock and have a big sale on that day, saying, "Come on in, folks, I've got a lot stuff. These other guys don't have any merchandise." I don't know how much of that was really done. When you consider that the effective rate was 3 percent—a 12 percent rate at a 25 percent assessment ratio works out to be a 3 percent rate—you wondered whether it was worth it to do all this stuff. Then, you heard about

all these people who had warehouses outside the state. You know, I've never seen these warehouses everybody talked about. I mean, they're supposed to be outside Reno. There are some outside Reno but compared to the ones in Compton, they're nothing. It couldn't have been a major thing but people talked about it as if the world were coming to an end that we taxed inventories in California on March 1. You just can't believe all the baloney we heard. Actually, the real effort to get rid of it occurred after Proposition 13, and it was abolished, as you know, about 1980.<sup>1</sup>

de GRAAF: We'll get to that later on. I notice there were two court cases over A.B. 80 that lingered on well into the 1970s. I forget the names of them. Do you recall if they focused on the business auditing aspect?

NEVINS: If you can give me the names of them, maybe I can. . . . Keep in mind, I'm not even sure I have it. I don't have a set of annual reports. One thing, the board had sort of a secret weapon. It may be unfair to say this, but Roger Traynor, who was the chief justice of the California Supreme Court, had been a consultant to the board in the early thirties in the adoption of the sales tax regulation, and he was a very good friend of Dixwell Pierce. When we got tax

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1. The business inventory tax was repealed by A.B. 66, 1979 Reg. Sess., Cal. Stat., ch. 1150.

legislation up to the supreme court, we had a justice who understood the law thoroughly and, generally speaking, we were supported by the court. We tried not to let any cases get to the supreme court that weren't good cases. Our policy and the board's policy in the court system is, we don't let any Mickey Mouse cases get up there. If there's something wrong with it or there's some element of it that is, generally speaking, a little compromising, get rid of it, because we don't want a case of record to go against us that could be bad for the administrating of other tax laws. So we were very careful about what went up there. That's been that way all along. You'll notice if you go down and look at the record, we win just about every one.

de GRAAF: I've noticed that, yes.

NEVINS: We don't win them for nothing. [Laughter] We study the situation. Roger was very helpful to us; he wrote a lot of the decisions and they were always pretty good.

de GRAAF: One final thing: I have never seen A.B. 80 associated with any particular legislator. Was there one or two people in the legislature who particularly pushed this bill?

NEVINS: Yes, Nick Petris did. He was the Assembly Rev[enue] and Tax[ation] chairman and he carried the bill. He was running for senate that year. Remember, this was the year the senate finally got apportioned. He was running for senate and he had a very close race, so he proceeded to disassociate

himself from taxes for a long, long time, something like fifteen years after that. I remember he told me that he had to stay away from it because it had hurt him. Alameda was a county that had been particularly hard hit by A.B. 80; some of the practices there had been particularly bad. So he had taken a lot of heat. I think he went out his way to get his name off some of those bills. He didn't want any glory to shine upon him on any of those things.

de GRAAF: Do you recall anybody else in the legislature who was particularly supportive of these ideas of reform?

NEVINS: You've got to remember, the school lobby was very strong at that time, and so they got to a lot of legislators. The County Supervisors Association had supported A.B. 80 officially. Then, it turned out, once it passed, the members didn't like it and so they ended up firing their executive, Bill MacDougall. I never got just what the issue was. I've known Bill a long time and I see him every now and then. I don't know what was the final thing that knocked him out. But they never reneged on the thing and no real effort was ever made to reverse it. That's sort of the way reforms work. Generally speaking, some of the people who put them through take a pounding but the actual reform itself is not reversed; that's been my experience.

de GRAAF: That's a very good way of looking at it because that's the same thing I was groping toward. It did not seem like a type

of bill that was really going to get a lot of popular enthusiasm, partly because of its technicality and partly because, really, what it was doing was making things fairer, and I'm not sure the average person could see any personal advantage in making things fairer. But you're right; it has stayed.

NEVINS: I don't think it was hailed by the masses particularly, but I think that what we were doing was we were making the property tax a modern tax, and that had to happen. I think if it had stayed the way it was much longer, we would have had some serious problems, much more serious than Proposition 13. People might have tried to outlaw it. One of the problems we had with the property tax all during this period is that we never had much intellectual support for it in university circles. This is where I started getting pretty cold on universities, particularly in California. There was no research done on any of these revenue efforts, and there were only one or two books that came out on a national basis that discussed property tax as if it had any fairness. I think one of the people who did it was Henry Aaron. He wrote a book that came out about 1970, as I recall, saying that the property tax ought to be reconsidered. It did have a lot of ability-to-pay principles, especially if you put in senior

citizens' exemptions and if you had a renter's credit, which we did put in somewhere right along in there.<sup>1</sup>

de GRAAF: Mid to late seventies, I think it came in.

NEVINS: Yes. If you did those things, you got the low end out, which people who studied the regressive effects of the tax realized it was cheap to make it progressive. You just threw in some of this stuff and you got a lot of people out of it, and that's what we did in California.

de GRAAF: I've looked at one such work I think you're referring to. I forget the fellow's name. It's a Slavic name.

NEVINS: The Brookings Institute.

de GRAAF: No, this is a little, more local work on California, the only one I found on California taxation in the sixties, a little, thin book. [Gerald] Rostvold is the author, and he takes just that view of condemning the property tax as regressive.<sup>2</sup>

NEVINS: That was a standard academic view up until this Henry Aaron book, which, I think, is a Brookings Institute book.<sup>3</sup> He wasn't looking just at California; he was looking at it nationally. There was quite a lot of literature at the

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1. Renters received a credit of from \$25 to \$45 against their income tax as part of the Property Tax Relief Act of 1972, S.B. 90, 1972 Reg. Sess., Cal. Stat., ch. 1406. This credit was expanded in A.B. 1151, 1979 Reg. Sess., Cal. Stat., ch. 1207.

2. Gerald Rostvold, Financing California Government (Belmont, CA: Dickens Publishing, 1967)

3. Henry J. Aaron, Who Pays the Property Tax: A New View (Washington, D.C.: Brookings Institute, 1975).

national level on property taxes at that time. There were some big things. The Brookings people did one. There were a couple of others. There's an organization that is sponsored by. . . . The president makes some appointments to it. But it deals with local government; I wish I could remember the name of it.<sup>1</sup> They put out some massive studies on property taxes because they were concerned that they wanted local government to support itself so the feds didn't have to put a lot of money in. In other words, they didn't want the national government to get in a situation of doing things that clearly could have been done locally if people had made a reasonable effort to support their own local government. I wish I could remember the name of that one. There were some big studies on that. California came out pretty well on that. There were a few complaints about some things we did but they felt that we were making more of an effort than most of the states.

de GRAAF: While we're on this, I found out that in 1970, the Sacramento assessor, a Dr. Irene Hickman, put forth the old Henry George single tax idea. Did that still have much support?

NEVINS: No, it had never had much support in this state that I was aware of. This was another group of people who ruined the discussion of property taxes everywhere. If the Commonwealth

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1. U.S. Advisory Commission on Intergovernmental Relations.

Club or the Town Hall or anyplace has a discussion on property taxes, the next thing you know, you'd have these Henry George kooks in there talking about the thing, and so you just couldn't talk about property taxes. You could not have a reasonable discussion of property taxes in California because these people had [such wild ideas]. That Lincoln Foundation--the one that makes arc welders, which they stopped doing somewhere along in there--at the time we're talking about, in the sixties and early seventies, always had these speakers. These people would come up and talk about this, and they were paid to do it, so they did. The result was you could not discuss property taxes in a rational way in a public forum. So nobody did it.

de GRAAF: This article claims that Senator [Albert S.] Rodda even endorsed Hickman's ideas and tried to bring them on the floor of the legislature.

NEVINS: She was a sort of funny woman. The assessor of Sacramento County, apparently, had a real close call with the scandal, and he died. There was an appointee put in his place, and she [Hickman] was on the ballot and beat the appointee who was running at that time. That's how I recall it. She served her four-year term. She was a real weirdo, believe me. She hired people to be PR people. She spent her whole time as assessor talking up single taxes and a bunch of other things. There was still quite a movement of the nutty types

for the single tax at that time. One of them got to be assessor of Hartford, Connecticut; another one got something up in British Columbia. Somewhere along the line, somebody went out and made a big study of where had it been really been put in place--Australia--and they found that the property taxes were of such insignificance there with this system that it didn't have any effect at all. I think that the people running the foundation--Lincoln Arc Welders, that's the name of the company--you can still see them around. I think the old man died, and the son took over. The son thought the whole thing was nutty, so he changed the whole thrust of the organization. Now, what they do is they try to improve the appeals procedure, and they've done a lot of work on that and they're quite effective on that. I've been to some of their meetings on that.

de GRAAF: No more idea that property tax could replace all other taxes.

NEVINS: They have it way in the background, but they don't talk about it.

de GRAAF: Moving ahead beyond A.B. 80, we've already talked about the Senior Citizens Property Tax Relief Act of 1967. The one thing that fascinates me is, in some literature, that is given your name, the Nevins Senior Citizens [Property Tax Relief Act]. Were you the main sponsor or writer?

NEVINS: I heard about it from Oregon and I got people to work on it, and it passed. It wasn't very expensive, as I recall. There

was some way we got it funded; I've forgotten just what we did. It wasn't a very expensive program. This was before social security benefits increased. It really wasn't that big a payment in those days. Half the people don't realize that the real big increases in social security came on after [U.S. Congressman] Wilbur Mills made his run for president; that's what got social security where it is today. But in those days, social security payments were very small, really, and they did not have the COLAs [cost of living adjustments] then. Phil Burton got those in. He went back to Congress. There was a feeling that the vast majority of older people did not have pensions and they were living longer because of the improved health standards and all that kind of stuff and that they were in pretty bad shape. And Pasadena, where I came from, had lots of those people, it really did, and they were very low income. The most dramatic thing in my life was that this woman I knew who was very active in politics had the job as a census taker in 1950, and she found people living on \$500 a year.

de GRAAF: Right here in Pasadena?

NEVINS: Right here in Pasadena. So you knew there was a problem. A whole series of things had happened. You had the SSI's [Supplemental Security Income] coming on; you had social security itself vastly increased over what it had been. The unemployment rates used to be 2 [percent], 3 percent. Now,

they're what, 13 percent? Way up there. So it's a different thing. You can live on social security today. You wouldn't live well but you could do it. You couldn't even think of doing it in the sixties, no way. You had to have some other income. So there were a lot of programs that people put in at that time for senior citizens, and this was one of them. There are not very many people left in this program because they have too much income to qualify. See, what they did is they didn't raise it up all the time, and I think it will be phased out. The other one we tried to put in was the tax deferral thing, and that just never went at all; even in Oregon, it didn't go very well. The principle behind that was your property is going up all the time. You defer the taxes. When you died or sold the property, the proceeds of the sale would pay the tax. Our feeling was a lot of people had small houses with no loans on them. They wouldn't be seeking credit anyway. It was very hard in those days for older people to get a loan on a house because how are they going to pay it back? Banks or savings and loans wanted some regular payment program. Well, the people didn't have it. They're finally beginning to get loans to deal with that problem now where you don't make any payments.

de GRAAF: Did they have as part of the legislative package in 1976 that got defeated, some sort of postponement of taxes?

NEVINS: I don't think it got defeated but it's never gotten

anyplace. The Franchise Tax Board administers them. For awhile, these programs were administered by the assessors, and then the Franchise Tax Board took it over because they knew about the income. They had a way of correlating these people's tax returns and their W-2s and all that stuff so they could find out if somebody was playing games. But most people over sixty-five really don't work. There are some that do but most don't. Anyway, that was a program that at the time was needed; it isn't needed anymore.

de GRAAF: Do you recall who you worked with in the legislature to put that bill through?

NEVINS: No, I really don't. I'm sorry about that. Remember, I don't have my files anymore. I just don't remember who I worked with. I'm sure that Petris would have supported it. I just don't remember.

de GRAAF: Now, we're into the Reagan governorship, and I'd like to know if, prior to 1970, because we know he put out the big tax reform bill then, do you recall that Reagan either came to the board or came to the legislature with any overall policy on taxation?

NEVINS: No. Republicans just don't do things like that. Republicans react to what's going on and try to put the lid on everything. Reagan's big thing was, he was going to come in and make state government more efficient. So he went out and got all these businessmen. There really were quite a lot of

them. Two or three hundred of them came up to Sacramento. He sent a group over to look at the board, and one of the guys that got on the group that came to the board turned out to have an appraisal business in San Jose. What he was telling everyone was to find out what we were doing to use in his business. The guy that was in charge of the group on the board was a very reasonable guy, and we went out to lunch with him and told him about this thing, and that was the end of that. They didn't spend much time looking at us. They had found out from other sources that the board was pretty efficient. Maybe the board members didn't look very efficient but the agency was pretty efficient, and they were wasting their time. We had very low cost relative to collections and everything.

de GRAAF: [Houston I.] Flournoy became the new controller. How did he fit in with the board?

NEVINS: I got along very well with him personally. He was kind of a progressive guy and a very nice person. He, of course, is still around. He, apparently, has always had a drinking problem, and that's how he got on as controller. He, apparently, got drunk one night, and Unruh, who was mad at Cranston, got him to run against Cranston.

de GRAAF: I didn't realize that.

NEVINS: Yes. Flournoy was tired of being in the legislature. He has a Ph.D.; he's a historian or something like that. He was

about to get out of the legislature anyway and he couldn't afford to. I think his wife didn't like it. So inadvertently he got elected to being the controller of California, which he got him a pay increase, which is something that he wanted. So he was a benign person.

de GRAAF: He didn't particularly have a lot of ideas of his own on taxes?

NEVINS: No. But he was more progressive than the other board members. Bennett got elected about then.

de GRAAF: Nineteen seventy or nineteen seventy-one?

NEVINS: We never could really figure out Bennett from whatever time he was on the board. But, basically, Bennett was one of these guys that talks up a big storm. You'd think he was one of the greatest liberals that ever came along. But he's one of these people that picks his issues very carefully, and everything else he's just very conservative on. I don't know if you can find many people like that. He wasn't a doer in government at all, really. He had a few things that he was all wired up about. The rest of the stuff, forget it. He didn't even want to hear about it. He didn't have much follow-through on what he did.

de GRAAF: He took up Leake's seat.

NEVINS: Leake retired. Leake, apparently, felt that his powers were slipping away; it turned out he only lived about three years more. He got sick and kind of faded away. Bennett always

looked upon himself as being a member of the Public Utilities Commission [PUC] and he still does that. He's been on the board now longer than he ever had anything to do with the Public Utilities Commission. He was in the attorney general's office when Pat [Brown] was the attorney general. The PUC got involved in some kind of litigation in the late fifties. Bennett passed the bar about 1948, 1949, 1950-- after going to law school after the war--and went to work for the attorney general. Pat got him a job as chief counsel of the PUC about 1958, along in there. Then, when Pat was governor, he appointed him as a commissioner for a six-year term in 1962 or something like that. So that when he went off in 1968, Reagan was governor. Of course, Reagan wouldn't reappoint him. Then Bill Bennett and Pat Brown had a couple of fights about who should take credit for what. Bennett took the credit for something Pat thought he should get the credit for. Anyway, they're very unfriendly to each other. Bennett's interests in the board were really very slight. Even today he doesn't have much interest in the board, even though he's been with us eighteen years. So you can see that he was really only with the PUC maybe eight or nine years at the most.

de GRAAF: You already said earlier that after Dixwell Pierce, the executive secretaries, Herbert Freeman and William Dunlop, were not particularly movers.

NEVINS: Freeman was a hard charger on one thing. He got very interested in putting A.B. 80 into place. It was 2 to 2 on the board, with the controller sort of having the third vote. The board members that were opposed to A.B. 80 really weren't very vigorous. . .

[Interruption]

de GRAAF: You were saying that Freeman was very interested in the implementation of A.B. 80.

NEVINS: Freeman is still alive, by the way. He felt that this was his mission in life, to get A.B. 80 in place. The people in the property taxes had mixed feelings about it. They realized that it should be done, but they didn't like taking on the assessors doing it. It was one of those things where they had to deal with the assessors every day. But Freeman had no such compunctions. He felt that this is the board's role to do this, and he ramrodded it through and, I think, very successfully. So that's really his monument, getting A.B. 80 implemented by a sort of unwilling board and unwilling staff.

de GRAAF: Now, what was the crux of the unwillingness? That they'd have to actually fire some assessors?

NEVINS: Assessors like having things be a little mysterious. That way, they didn't have to explain what they were doing. They didn't like somebody looking over their shoulder. People just don't like people telling them what to do. That's just

the way life is. In the scheme of local government, the state government really has the power; there's no question about it. But the fiction has been elaborately developed over the years that the state is not supposed to mess around with local government, local control. It's supposed to fund all this stuff. You hear all these same arguments today. The staff, on a daily basis, is working with assessors, and I think they really didn't want to play hardball with them. Yet, that's what the law called for, to play hardball. I think Freeman made the law a success.

de GRAAF: Do you happen to know if there was a grandfather clause in A.B. 80 exempting all of the existing assessors from having to meet the certification standards?

NEVINS: The assessors didn't have to meet it; it was just their staff.

de GRAAF: Was there a big attrition of staff after passage of A.B. 80?

NEVINS: The exams weren't that hard. The people who couldn't pass them shouldn't have been in the office, that's all there is to it. Now, I've been in offices where the people didn't pass, and it gave the assessors an excuse to fire them. Some of them were relatives of supervisors. I remember in Imperial County there was this guy who was the assessor, and he was pointing to people out in his office who he said couldn't do the work, and they were relatives of supervisors. Once they couldn't pass the thing, then he got a chance to fire them because the statute said he couldn't

have them. But I'd say 90 percent of the people who were doing the work passed, and the other people quietly left or did clerical work.

de GRAAF: We mentioned earlier that in 1968 Philip Watson comes back once again with this ceiling on property tax initiative Proposition 9. It does not pass. I didn't even recall a mention of it in the annual report. Were these initiatives at all creating an impression upon you or any other members of the board that maybe some sort of property tax relief or property tax limitation ought to be thought about?

NEVINS: I didn't think so. My view was that the state was very prosperous, it was growing rapidly in population and wealth, and that people really wanted a lot of public service. They wanted newer and better schools, they wanted better roads, they wanted parks, they wanted everything. It seemed to me the role of tax policy was to try not to hit the people who couldn't afford it. In other words, to try to find ways to make it so people could pay taxes. One of the things that I wanted to do that we never did do was to be able to pay property taxes on the installment basis. It's easy to do now but it wasn't easy to do then. It goes through a lot of things where you help people pay the taxes. In other words, you just didn't stick it to them, which was what they had sort of done in the past. I'm just stating my biases. I just didn't feel people were hurting. The thing that changed

things was the inflation of land values that occurred in the mid-seventies and from then on. I think what happened in my view is that we had made a really much better place for people to live in and, all of a sudden, all of these accumulated improvements. . . . People are starting to think, gee, these are pretty nice places. Like the beach areas. I can remember when living on the beach was considered a poor thing to do. All of a sudden, the stewardess types started living on the beach. I don't know whether you remember Marina del Rey, but when that started, the county almost went on its head on that one. They took off one of their brightest people to manage that project to get it back on the track and build high rises and stuff like that and get the young people going down there, which he did. Of course, it's become a tremendous success. At least in southern California, the inflation of land values started at the water's edge of the Pacific Ocean and went inland. The biggest increases were right along there. It turned out that a lot of older poor people were living in Manhattan Beach, Redondo Beach, Venice, whatever the other ones are along there.

de GRAAF: Santa Monica?

NEVINS: Not so much Santa Monica. Certainly Venice. All of a sudden, this house that they paid \$2,000 for or \$3,000 for in 1948 or 1949 suddenly was worth \$25,000, \$30,000. I remember

one of them I got involved with in Manhattan Beach, this woman had this house that went for \$60,000. It had been assessed at \$60,000. I was not very enthusiastic about her problem because, (A), she made a tremendous capital gain, and, (B), I had hundreds of thousands of people who were living in \$10,000 houses over there in Norwalk and Bellflower. I couldn't see them getting very teary about some woman whose house had gone from \$2,000 or \$3,000 to \$60,000 who could have bought six of their houses with the money. Of course, she didn't want to move. I can't get excited about people who make a lot of money and then complain. I just don't get into that, I'm sorry about that. But there's no question that that increase in value along the coast there attracted a certain kind of intellectual power that reached a lot of people but was dismissed by people like me, and that was probably an error in our judgment. The one other area that had a big increase in value that got tax limitation going was in the west San Fernando Valley. There was a big area of people in there where, apparently, there had been some big increases. It was those two places that really got the tax reduction movement going in southern California, and Jarvis capitalized on those people, really. Then, you had the change of assessors. Remember, Watson got sick, had a bypass operation, and his mind was having problems too, so he chose not to run again. I don't think he

NEVINS: could have been reelected. The guy just went bonkers at about 1970, and he was a very difficult person to deal with after that. I supported him when he first went in but it got so I couldn't stand him. Anyway, about 1976, he began to realize that these values were going up really fast, and he got frightened and wouldn't authorize the values to be put on the roll. We found out about that, so I got into a situation where we almost got a court order mandating him to put them on the roll. He may have actually got one. I've forgotten just what all happened on that. But we were aware that he had reappraised these areas and then not put them on, and it caused a lot of problems because when he did put them on, they were still low because they'd gone up some more. Watson was one of the kind where he hadn't really got this electronic data system going so he wasn't following the values well enough. He had a system like that going in but it wasn't really the right one. One of the problems was he was frightened of putting values on. He was afraid it would cause a riot, and against him. This was his problem. So he didn't run again. He resigned, as I recall.

de GRAAF: Was that around 1976?

NEVINS: I think he resigned about May of 1975. They had to go through quite a procedure to get the new one in. They couldn't just appoint anybody anymore. [Alexander H.] Pope got the job. I guess Pope didn't get appointed until the

fall of 1977.<sup>1</sup> Pope, he's one of these guys that doesn't have a feeling for minutiae. Some people can and look at the data and see what's really happening. He didn't have much feeling for that. So he, of course, starts running again. He had to start running for assessor in early spring of 1978. He'd been assured by his staff that the values had only gone up 100 percent over what Watson had had on the roll that had been put on that year in this area along the coast. It turned out the increase was 200 percent. Boy.

[End Tape 6, Side B]

[Begin Tape 7, Side A]

NEVINS: Alexander Pope was a lawyer in Los Angeles who had been very active in Democratic politics and supported a lot of people for office and had a very successful law firm that put him in a position to give money to candidates. At that particular moment, he had gotten a divorce and was living separately, on his own, in an apartment building he owned. He was tired of the law practice. He had made a lot of money, owned a lot of apartment buildings, so he was looking for something new. So he decided he wanted to be assessor, and then he was going to run for controller, then for governor. That was sort of his plan. So he took over this

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1. Philip Watson resigned under pressure from both the Los Angeles City Council and the Los Angeles County Board of Supervisors in the fall of 1977. Alexander Pope was appointed to succeed him in 1978.

office where Watson had gotten so he couldn't control it. I remember I had to go down and tell the county counsel in easy-to-understand English--the county counsel, that's the chief lawyer of the board of supervisors of the great county of Los Angeles--I went down and told this guy, "You can't have Watson's lawyer telling the staff of the assessors what to do. There's no way you can do that. Only the assessors can instruct. You cannot have a representative who's not an employee tell the staff what to do. If you start doing that, you're going to have real problems."

de GRAAF: Let me ask you a digressive question just a minute here. Was it common for members of the board of supervisors to check on the county assessors in their districts?

NEVINS: Not really, in modern times. It was in the old days. In Los Angeles County, the way they had it set up is--we're talking about the 1970s--each supervisor had a group of county departments that he overlooked. So generally it was the chairman of the board of supervisors that had the assessor's office. So they knew about what was going on.

de GRAAF: The other part of my question, how about you personally? Did members of the Board of Equalization go around to the county assessors in their districts and check on them from time to time?

NEVINS: Yes, we did. And I did. Mr. Leake did. Mr. Leake sent his man; he didn't do it himself very often. But he went around

a lot. I mean, his man did. They intimately knew what was going on.

de GRAAF: So it was along those lines that you were reporting to the supervisors about Watson.

NEVINS: I used to make a regular practice of going around to the different counties. By 1975, I was down to one, but when I had the eight counties, I went to them every year at least once, sometimes two, three times a year. I tried to make a practice of knowing what was going on. I had all the information my own staff had; I had a lot of information. The politics of that was pretty good. You got to know where they were; you got to know how to run in that county. It's something you like to know when you're an elected official.

de GRAAF: Excuse me. Back to Pope.

NEVINS: Pope is a very attractive guy to me. He's well-spoken but he's not much of a detail man. He got himself in this situation where the Jarvis people taunted him, I think spurred on by Watson, to disclose to people what their new assessments were going to be before July 1 because, obviously, the staff had them on mechanically. They had to put them on in April or May. So Pope had this dinner out at the Beverly Wilshire Hotel, a fund-raising dinner, you know, a couple of hundred people there. Without telling me he was going to do it in advance, he announced to the press that, beginning the next day, people could go to the assessors'

branch offices in the different parts of L.A. County and find out what their new assessments were going to be. I remember I just about died. I thought, my God, this is going to shake the thing up. I knew about the 100 percent increases but I didn't know about the 200 percent. Of course, I wasn't running this office. That's really one of the things that set off Proposition 13. Proposition 13 was languishing. This dinner, I'd say, was the end of March, first of April [1978]. I don't really remember all the polls, but Proposition 13 never got a majority of votes until sometime later than that. Finally, when Jerry Brown, the then governor of California, called up Pope in the middle of the night and wanted to reverse the assessments--lower the roll, that's what they called it--that got out into the media. All of a sudden, everybody got mad. Here were these scheming politicians, and that got 13 through. That did it. Bang! Just like that.

de GRAAF: That's a little bit ahead of where we are, but it's very interesting to see that. In other words, your feeling is that Prop. 13 might have gone the same way the Watson initiatives went.

NEVINS: It might have been defeated. There were a lot of people who were frightened of that. They realized that local government would be reduced to a shell of its former self; the county government and school districts particularly would be nothing.

The cities, the way it worked out, were able to get around Proposition 13 for a variety of reasons, most of which they weren't aware of at the time. But they found out quick how to do it. And the idea that you were going to throw all this stuff up into Sacramento, which was ill prepared and still is ill prepared to deal with the problems, it just is. A lot of people distrusted Jerry Brown even then. They didn't think the legislature could handle these problems. They didn't want the legislature to handle these problems, so they opposed 13.

de GRAAF: Let's go on to a couple more things on the Reagan era. Flournoy was quoted as saying that the solution the Reagan people had to the growing value of houses and therefore the constantly rising assessment rolls was exemption. Did you ever recall his saying that to the board or being particularly a proponent of exemptions?

NEVINS: It seems to me somewhere in the Reagan administration they increased the homeowner's exemption by some amount, not a very great amount.

de GRAAF: It started at \$750 and it was pushed up to \$1,750, I believe. That was around 1972 or 1973, I think.<sup>1</sup>

NEVINS: I don't think any serious efforts were made beyond that.

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1. The Property Tax Relief Act, S.B. 90, 1972 Reg. Sess., Cal. Stat., ch 1406, made this change.

Now, household personal property was exempted somewhere along in there. It has never been a significant revenue producer and it had been very difficult to administer, and so nobody missed it, really.

de GRAAF: So, philosophically, you don't recall that Flournoy was on one side of the fence on exemptions and the Board of Equalization was on the other.

NEVINS: No. Reagan supported a very few exemptions, but the exemptions in all the tax laws really grew dramatically when Jerry Brown was governor. There were a number of reasons for that but we'll get to those later on. Reagan wasn't very much for that stuff. Reagan didn't have a lot of program. Reagan's whole governorship consisted of posturing of one sort of another, like attacking the University of California and things like that. That was his bag. They didn't really have much of a legislative program, and they weren't interested in any. They were running for president, and the governorship was just a stepping-stone. They didn't really care much about what happened. He had some strong administrators in some departments, and those were the guys that ran the government. If they kept their noses clean, they could do just about anything they wanted.

de GRAAF: Let's run the exemptions just so people have a good feeling of what the stage is like before Jerry Brown came on.

NEVINS: There weren't that many in any of the laws at that time.

de GRAAF: There was a homeowner's exemption that had already started but it was, as you say, a fairly small one. The veteran's exemption you've already said was really not amounting to much.

NEVINS: It was being phased out by the homeowner's [exemption].

de GRAAF: Now, business inventory exemption, did that take a big bite out of tax revenue?

NEVINS: It certainly did on the local level. As I recall the way that that one came in, after Proposition 13 passed, first they had 50 percent of the exemption of the business inventory, then, I think 100 percent. It took over a two- or three-year period. But remember, the rate was down to 1 percent at that point.

de GRAAF: I believe, though, before Prop. 13, there was a 30 percent exemption. Prop. 13 raised it to 50 percent.<sup>1</sup> I think there had been a business inventory exemption prior to 1978.

NEVINS: I just don't remember the whole thing. The big push I remember was after 13. I just couldn't believe it. The Bank of America took off one of the big vice presidents in San Francisco and got him working on this thing full time. It was a constitutional amendment, as I remember.

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1. The business inventory exemption was initiated at 15 percent by S.B. 8, 1968 First Ex. Sess., Cal. Stat., ch. 1. It was subsequently raised to 30 percent by A.B. 1, 1971 First Ex. Sess., Cal. Stat., ch. 1, and then to 50 percent after 1973 by the Property Tax Relief Act of 1972.

de GRAAF: We'll get into that maybe later on.

NEVINS: It was just crazy.

de GRAAF: Of course, you had long had so-called welfare exemptions: churches and so forth. Were they steadily increasing through the sixties?

NEVINS: They were steadily increasing. If you go back and look at the annual reports, they were relatively insignificant until some time in the sixties. Then, for some reason, people seemed to really get into this business of trying to get exemptions. It's sort of odd in that first you'd have to go out and get your federal exemptions, your C3 and all. Then, you've got to get a state one from the Franchise Tax Board which is really easy to get if you have your federal one. They'd have this property, and with a lot of charitable organizations, the only thing that's exempt is their business personal property, their typewriters, and stuff like that. You sort of wonder why they go through all this stuff. But there's no question that the thing grew. Now, the bad part from the board's point of view was that the cultural organizations got into it. The first big, tough one, one of the things we got smashed in the courts, was the Stockton Civic Center Theater case. Now, the facts of that are this: It was a community theater event, there's no question about that. It was a nonprofit organization. They went out and hired professional actors and paid them the professional

rate, and they charged regular, commercial rate for admission. Then, I think, they had a few free seats. They carried that up to the supreme court of California and got the plays exempt. The next thing you know, you had some real big ones. The Music Center came on stream, and they played games and got that whole goddamned thing exempt, which is a very complex issue on how they did that one. Then, there's an open-air theater in Griffith Park which was solely commercial performances with free seats one day a year. That Music Center is free one day a year. You know what day that is? Christmas.

de GRAAF: Is that a legal stipulation?

NEVINS: They have to have a freebie. There's no question you've got to have something for the public, but that's their day. I'm saying it's very nice to go there, by the way, but it's free. This set off a lot of this sort of thing, and we just had a terrible time on theater-type things. Another one was homes for the aged. There were a couple of cases on that. I think one of them had been decided just before I got on the board. There was another one, a Catholic home, after I got on the board. The court ruled that even if there was just a very small amount of contribution. . . . When you've got these homes for the aged, you paid quite a lot of money to get in. These are the times when you had your health care and everything being paid for; they don't have any of those

anymore, can't do it. They got all those goddamned things in. Those are pretty much homes for well-to-do people. They're not starving Armenians. I don't want to kid you about that. So a lot of those got exempt. The church got theirs exempt. I must say the Catholics are pretty good about this; they don't play games in this area. I found them pretty straight to deal with. It's these damned Protestant sects that are the bad ones. They would go out and get involved in schools and God knows what all. Then, we had the Universal Church of Christ. You know, the one that's the mail-order thing up in Merced or Modesto or wherever it is? Apparently, for \$15 you can become a minister. You can become a bishop for \$25. What you get out of that is, a lot of people tried to get their home as their church, and we held that one off. But the new board we have now, I understand they've caved in on a lot of that stuff. I don't know how they're going to deal with that. It's not my problem; I'm not there anymore. But there's a big pressure on to have property tax exemptions, and a lot of that came out after 13. It's funny that once you start getting tax scams going, it's easy to breed them. Here was the rate reduced to 1 percent, which is insignificant. The taxes on this house, forget it. People just went bananas after 13. I mean, on the charitable exemptions, church exemptions, all kinds of stuff came in on that. I don't know whether you

NEVINS: want to go through them all but they were pretty awful, just take it from me. Here are people getting service from government. It wasn't that expensive. Why are they doing this? One of the legacies of the Reagan administration at the state and federal level is just a thing where you try to rip off government, as if government were something different and you are not a part of it. Like on this jury duty. People want to be paid time and a half when they're on jury duty. Plus the \$5. There's no idea that this is part of the system.

de GRAAF: The last exemption I'll note is one you already commented on last time but you might want to say a little more about it, and that was the open space. That, of course, came in with the Williamson Act. But then in 1973 there was quite an augmentation of open space exemptions, was there not?

NEVINS: Right. Open space is locally administered. Welfare exemptions, the board played a big role in the administration of that. To get the welfare exemption, you came to the assessor, you filled out a form, then assessors sent it to the board, and then the board approved it or didn't approve it and sent it back to the assessor. On the open space and the church exemptions, the board had no relation to those at all.

de GRAAF: Not on the church?

NEVINS: Not on the church. But churches came in for the welfare

exemptions, and that's where we dealt with them. On open space, when it first came in. . . . I can't remember just when it was but about 1967. . . .

de GRAAF: Nineteen sixty-five, the act was passed.

NEVINS: But I don't think it really became effective until 1966-1967. There was a constitutional amendment that really made it effective.<sup>1</sup> They did it on a statutory basis, and then there was a constitutional amendment that made it effective. The people who supported that was the Irvine Company, and they had their law firm--Gibson, Dunn, and Crutcher--draw this measure up. They got it to the legislature. It was a legislative constitutional amendment and it got passed by the people. The initial use of it on hundreds of thousands of acres was in the San Joaquin Valley, and none of us could figure out why that was because we felt that the city encroachment on rural property was the one that was making the values go up. We felt that the kind of people that were going to do it are going to be people like in Ventura County, Santa Barbara County, L.A. County, Orange County, San Diego County. That occurred in Orange County, there's no question about it. L.A. County flatly refused to

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1. Proposition 3, Open Space Conservation, approved in November 1966, authorized the legislature to define open space lands, provide restrictions to their use, and establish a basis for assessing them. S.C.A. 4, 1966 First Ex. Sess., Cal. Stat., ch. 104.

go into the program. The only property they ever let in was Catalina Island, period. Nothing else. They just said, "We're not going to go for this baloney."

de GRAAF: That was an option of each county, to choose to go in?

NEVINS: The county didn't have to go into the program. You make a contract with the board of supervisors is what it boils down to, that you will keep this property in rural or agricultural use for ten years. The terms of that, you get the tax measured by a sort of fake income value for the property, and that's what it's all about. The proponents talked about how it was going to improve the planning and everything. Of course, it wasn't. Counties weren't required to have plans at that time. It wasn't until later that counties were required to have plans. Now, they're required to have plans and a whole bunch of stuff. But the thing was just a tax gimmick, and Irvine was a big beneficiary. I believe now that there won't be any. I noticed all the property that was in it that I knew was in it isn't in it anymore in Orange County, so they must have let all their contracts run out and give them the ten years' notice. You live down there.

de GRAAF: I'm not aware there are many open space areas left, but I'm not sure.

NEVINS: A lot of people didn't go into it because they wanted to be able to subdivide at their own choice. There were both sides. Company one wanted to save the taxes, wait for the

ten years, and that's Irvine. Then there were others in Orange County; I don't think the Segerstroms or any of those ever went into it.

de GRAAF: The main uses of it in Orange County now, I think, are some genuine environmental things. The Laguna Greenbelt, for instance.

NEVINS: But you have to have a plan to really make those go. If you don't have the plan, then they don't go very well. It seems to me that whole open space thing sort of died. I don't think it's a major gimmick anymore, I really don't. I don't know any place that's really using it anymore. The landowners want to be able to sell. They don't want to be held up for ten years and they don't want to pay the penalties. The few counties where they tried to have windows where they could get out, the scream was so great that nobody wants to go through that. Landlord types want to do it quietly. . .

[Interruption]

de GRAAF: We were talking about exemptions, and I'd like to ask a few more questions along those lines. Quite a few of these exemptions we mentioned did date from the late sixties or early seventies. One that gets talked about in the late sixties and almost is a perennial issue until it's apparently resolved in 1976 was the principal office deduction for insurance tax.

NEVINS: Apparently, when the insurance tax was first put in, and we're talking about around 1850, there was the feeling that we should encourage the building of office buildings by the insurance companies. I don't believe the exemption was in in 1850 but I believe somewhere along the line, about 1870 or somewhere along in there, the concept was put in "Let's deduct from the insurance tax the property taxes that an insurance company would pay on a building they built to do business in California." That was the concept. What happened, of course, was that insurance companies realized this is a great bonanza for real estate, so the idea why not build a building that was twenty times or thirty times our needs and then rent it out, and then we'll have this subsidy from the government. So that's what happened. Of course, there are an awful lot of insurance companies in California, around 300 or 400 of them, and not every one, of course, took advantage of that. But lots of them did. There were some insurance companies that, as far as we could see, the only reason they did any insurance business at all was to get the home office exemption. They just did enough business, made enough premium tax so that it would be exhausted by the property tax. Anyway, the development of California as a state and the need for the revenue that was lost in this exemption from property tax in the insurance tax brought on a campaign to get rid of it. It finally died, but it was a

long fight, I'd say twenty-five, thirty years of struggle before that particular exemption was removed.

de GRAAF: Apparently, you didn't have much luck with the legislature. I believe it was finally a voters' proposition in 1976 that got rid of it.<sup>1</sup>

NEVINS: I think it was a measure put on the ballot by the legislature. I'm pretty sure it was. There was some sort of triggering event that made it fly, and I don't remember what it was. But it was one of those things where the insurance companies, in their usual way, did not act with great discretion and got everybody upset.

de GRAAF: One other exemption that is mentioned in passing besides that is one. . . . I can't put the date down but sometime in the early seventies, I believe, there was some sort of racehorse exemption whereby racehorses that had been taxed as property based on their earnings suddenly got taxed as a simple animal?

NEVINS: That goes back to taxes that had been on cattle. As I've sort of mentioned to you off and on, the agricultural interests are very clever in taxes, very clever. While there was a tax on inventories of animals, the problem came up, well, how do you tax animals that move from one county to the other? They were particularly talking about range cattle.

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1. Proposition 6 (June 1976).

The second question was, how do you find them? There was a plan developed, I believe in the mid-sixties, let's give the grazing animals a little tax break in terms of rate but let's create a taxing system where we can tax them while they're in each county so we don't run into this thing, well, all the taxes are in San Bernardino County when they should be in San Joaquin County. So the head day tax came on. As I remember, the tax break is roughly 40 percent. If the cows or the cattle, whatever it may be, were in the county all the time and were there on the lien date, then you would get a tax break of roughly 40 percent. So you created this thing where you, I think, told how many cattle you had in each county on one day of each month. I think that's the way it worked. Then, you paid to that county that revenue. The legislature has the power to tax personal property any way they choose. It takes a two-thirds vote but they can do it any way they want, and so they used that power to get to this result that we discussed here. Of course, while there wasn't [an exemption from] a tax on inventories, that was quite successful. It was really quite well accepted by everybody after it got started. It sounded a little complicated at first but once people got the hang of it, why, they kept it. There wasn't any real objection to it that I recall. I'm not sure I had any agricultural counties while it was in force but I knew enough people in it that they let me know it was

NEVINS: going all right. Of course, when the inventories generally were exempted, of course, they were exempted too, so that took care of that. Cattle being goods held for sale were therefore inventory.

de GRAAF: But the racehorse thing, as I recall . . .

NEVINS: What happened is the racehorse people saw this and so they wanted something like it and they lobbied for it. I just don't remember all the gruesome details. It seems to me that one didn't come on until 1986 or 1987, actually.<sup>1</sup>

de GRAAF: I'll have to check the date but I recall that the annual report I saw this in had some livid comparisons of. . . . They're using Secretariat, I think, as their example. Before the change went through, he would have been taxed at an annual cost of \$20,000 or \$30,000, and once this change went through, his tax would be \$150.

NEVINS: Racehorse people have a lot of lobbyists in Sacramento because the racing system itself is a governmentally allowed system of business. So people who are in those naturally have to have lobbyists. There is a tax, of course, on racing in California measured by the amount bet every day. It's not a very big tax, actually. It's around \$100 million; that's

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1. The change in the method of taxing racehorses came in A.B. 205, 1971 Reg. Sess., Cal. Stat., ch. 1759. On the grounds that ambiguous and volatile property assessment procedures made taxing horses as property "inequitable," the legislature changed to an annual fee on each horse.

just not much in California. So the racing people thought because they developed this tax that they could therefore get their animals, the horses, reduced, and that's what this is all about. They think they're doing a lot for California. They've got so many other tax benefits at the federal level I don't know why they need any at the state level, especially at a 1 percent tax. Of course, horses used for racing are not inventory; they're equipment. That's why they wanted that.

de GRAAF: A final thing on exemptions: apparently it becomes a matter of some concern to the board as early as 1969 or 1970 because it was in that annual report that I noticed a fascinating figure that somehow, starting from 1946, they found there had been a thirty-onefold increase in welfare exemptions between 1946 and 1970. The comment was made, either in that report or one a couple of years later, that it was the exception rather than the rule to find property in California that was not in some way or another under some sort of exemption. Now, do you recall a great deal of discussion among the board about the issue of exemptions in the very early seventies?

NEVINS: As I pointed out to you, the way the welfare exemption comes to the board is that a constitutional measure which passed in 1944 put the board in some control on these exemptions so

that there would be some kind of uniformity in the state.<sup>1</sup> When the exemption started--I think the first one was filed about 1945, 1946--there really weren't very many for quite a long time. The concept was that in other states there were property tax exemptions like this, and in California, usually the assessors underassessed properties that were used in a welfare way. So the concept was that it wouldn't be used very much, and the author of the constitutional measure mentions in his ballot argument that he felt that it would be a limited exemption, that it would not cover large spaces of land, and that it could not be expected to be a major fiscal problem for local government. I think that was true until somewhere in the late fifties and early sixties, then all kinds of organizations started finding ways to qualify their property for the welfare exemption. I mentioned the homes for the aged. I think in one of those reports we have graphs showing the different ways that people got welfare exemptions. Then, some kind of historical property got into it and shoehorned into that one. A free museum was supposed to get an exemption; that's in the constitution. But most of them wanted to charge admission, so they came in under the welfare exemption. So the Norton Simon [Museum] and a lot of

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1. A.B. 502, 1945 Reg. Sess., Cal. Stat., ch. 241.

NEVINS: museums like that came in through the welfare exemption. I mentioned these church-related activities that weren't churches. There came welfare claims on that. Some of the private schools came in under the welfare exemption instead of the school exemption, which was an exemption they had gotten about 1954. They felt that it was easier to qualify under the welfare exemption. So that, plus the theater thing I told you about, which was a new, creative thinking on the part of people out in the general public, resulted in our starting to get a lot of stuff under welfare exemptions that I think the author of the original constitutional amendment hadn't thought possible. Each one of them may only be \$200, \$300 but when you get them all together. . . . I think there are about 7,000. They're rather hard to administer, and these theatrical ones right now, I would say, are extremely difficult because there's just very little difference between them and a commercial theater. The Schubert Theater, which is a commercial theater, is hardly distinguishable from the Music Center, which is not.

de GRAAF: Going on into the late sixties and early seventies, there's an interesting issue which comes up in late 1968 or early 1969 that's alluded to. It's a double-pronged threat to the local sales and use tax. The first prong was that Congress, apparently, was considering some sort of legislation that the annual report warned would impair California's sales and use tax, and the board took a rather strong stand against it.

NEVINS: That's right. What had happened was that the U.S. Supreme Court, in about 1958, had permitted states to tax, on a corporation basis, property in different states. They approved an allocation method used by the state of Minnesota, in particular. I think it's called Northwest Portland Cement.<sup>1</sup> The reaction from that by the business community was so intense that they got a measure passed in the Congress at the last minute under the commerce clause prohibiting states from taxing this kind of property as a way of allocating income. At the same time, the people who were so incensed by this income tax problem that arose out of the Northwest Portland Cement got the idea, well, maybe we can exempt certain kinds of interstate sales from local sales taxes. So they had a committee created which came to be known as the Willis Committee, and what they were trying to show was that a state shouldn't be able to tax certain kinds of interstate, particularly mail-order, business that some states had taxed. California, early on, had made a decision that we were not going to try to tax those transactions. We thought it wasn't worth the struggle. But we clearly didn't want to have Congress pass legislation prohibiting us from

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1. Northwestern States Portland Cement Company v. State of Minnesota, 358 US 450 (1959).

taxing these kinds of transactions because if they could do that, then they could use their power on interstate commerce to reach a lot of other transactions that we had taxed all along and that we clearly felt we had the right to tax. If the Congress acts under the commerce clause, then they preempt the area, and we didn't want this area preempted. That was our real aim on why, even though we didn't tax those particular transactions, we didn't want to have any federal law prohibiting us to. So I think I made at least two trips to Washington. They were usually made in conjunction with some kind of tax administrators' meetings. I believe I went at least twice and testified, carefully. Over time, the sales tax issue died away. In fact, in recent times, the states have been specifically taxing some such things, and California is looking at it again. California has now changed its statute and is taxing a portion of these transactions that we didn't tax before. This law was changed about four or five years ago. We're waiting for a test case. We're utilizing the idea that if you advertise in a newspaper and you have the person send it out of state, then the state has nexus, and therefore we can tax that transaction. When I was last on the board, we were waiting to get one which would be a very good case from our point of view before we actually levied the tax because we didn't want to just do any one and then get a weak one. I told you we

NEVINS: always try to go to court with a strong case. So we were analyzing ones and we were looking for newspapers or cable TV. We felt that cable TV is a local franchise. If an item were advertised on cable TV to send in merchandise from out of state, then we could collect the tax on that. I don't believe we've actually gone ahead on that. But that had the full support of the board, by the way; there wasn't any question about that, including the Republican member of the board. He's very strong for that.

de GRAAF: You're referring to [Ernest J.] Dronenburg, [Jr.]?

NEVINS: Dronenburg, yes. His position is, what you're doing is you're just taking business away from local business people, and they're the people who vote for him and they're the people that pay our salary, therefore you should look out for them. That's his line of reasoning, even though it has an element of antibusiness about it.

de GRAAF: The other prong to this sales tax was that, apparently, localities were adding on their own sales tax?

NEVINS: Right.

de GRAAF: And the board was trying to discourage that also?

NEVINS: Let's go back [to the Bradley-Burns Uniform Local Sales and Use Tax Law]. Before I was on the board, generally a lot of the bigger cities in the state--Los Angeles, San Francisco, and a number of others--levied a local sales tax which they administered themselves. In the case of the retailers, it

was making it very difficult for business in California if they, say, had a store in downtown Los Angeles and shipped to Pasadena. The clerk would have to know whether they were subject to the tax, (A), and, (B), know what the rate is. Well, in the case of Bullocks, even though the shipment came from Bullocks Wilshire, they would have had to add the Pasadena tax on the things they had shipped to Pasadena. Obviously, this makes shipping clerks into tax authorities, and that's not an inexpensive thing. So the Bradley-Burns Act allowed the voluntary adoption by counties and cities of a uniform local sales and use tax. This got a slow start. The big counties got into it pretty fast. L.A. got in it, of course. In L.A. County, all the cities got to keep the whole one cent. In other counties, the fight has been, well, the county says, "Of the one cent that you collect within the city's boundaries, we ought to get 10 percent of it," or something like that. That fight slowed the spread of the system that we set up. About 1967, the last county, Tehama County, went into the system, so all fifty-eight counties are in it. We felt it was one of the more successful tax administration schemes that we were involved in because the effect of it was that we collected the tax for these local people at a cost that was much less than they could do it [for].

de GRAAF: But in 1968-1969 something came up that led the state to pass

a measure reaffirming that the Bradley-Burns Act had preempted sales tax and that cities . . .

NEVINS: I think one city someplace wanted to go and levy an additional tax.

de GRAAF: An additional, that was it.

NEVINS: That was what that was aimed at. I don't remember what city it was. It might mention in the report. We didn't want that and so we got behind the law. The California Retailers, of course, were with us on that one.

de GRAAF: I can imagine. Let's move on, then, to the early 1970s, when there seemed to be a flurry of proposals put forth for California by Republicans, for one thing. This was the one significant tax package I was able to find in the Reagan period. Reagan, Flournoy, and [Howard L.] Way, and Monagan and the chair of the Assembly Revenue and Taxation Committee, William Bagley, all gave support to a plan to apparently accept withholding on income taxes in return for a considerable increase in the homeowner's exemption on property taxes and a bigger increase in the oil depletion [allowance].<sup>1</sup> I was wondering if your board got in that.

NEVINS: Let me say this. Dealing with the depletion allowance has been an issue that Californians have heard about forever, and

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1. Many of these ideas were enacted in A.B. 1, 1971 First Ex. Sess., Cal. Stat., ch. 1 and 2.

I don't think we ever made any substantial change in it. There were federal changes, and I think we follow those, and that's about as far as we went. The oil people were able to deal with that problem. Now, as I recall, you're talking about, I think, a year or two before the tax plan that Reagan finally adopted was adopted, right?

de GRAAF: Yes.

NEVINS: I don't recall anything got adopted in the plan that you're talking about there. I think the financial problem was foreseen but it wasn't acted upon at that time. That's my recollection of that.

de GRAAF: Yes. Another fascinating one that's floating around 1970 is the [Joe A.] Gonsalves Amendment.<sup>1</sup> Do you recall that one? Gonsalves was a Democratic assemblyman from Norwalk that introduced a constitutional amendment that would reduce property taxes \$1 billion again by the homeowner's exemption.

NEVINS: I don't think that one ever flew.

de GRAAF: I don't think it did either.

[End Tape 7, Side A]

[Begin Tape 7, Side B]

NEVINS: Gonsalves was a man of limited mentality. His family had had a dairy in what is now known as Cerritos. It was called Dairy Valley. They had just sold out, and he had gotten

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1. A.B. 1853, 1970 Reg. Sess., died in the assembly.

himself elected to the assembly in one of those races where three or four guys were running in the Democratic primary. He got sort of carried by things like this. He was a perfectly nice fellow but just wasn't one of those great politicians. He eventually got licked and is now a lobbyist, of all things. He grabbed on the feeling that homeowners were being mistreated taxwise. My feeling was that, generally, with the federal exemptions on interest and property taxes, homeowners had a very good deal. Then, I think, even in those days, there was some special capital gains treatment for homes. I think you could transfer your capital gains to another house, even in those days. Nowadays, of course, it is forgiven us. But overall, what we were doing by these tax gimmicks that were out there at the federal, and even, to some degree, at the state level, we were increasing the value of houses, which had the effect of pricing them out of people's [range.] One of the good things about property taxes is they keep land and building values down because of the holding costs. In other words, if you want a building, you've got to use it; you've got to pay the tax. But when you take the tax off, then, of course, it [housing costs] goes way up. That's what happened in California. Our property taxes are low, the holding costs are low, therefore the value of the land has gone up. Now, people are saying, "The housing costs are so high in

NEVINS: California we can't move our business here." It flows from all these things we did back in the seventies, and people back then that were talking about it foresaw these things and said this is what was going to happen if you reduce the holding costs. After Proposition 13 passed, you could just see the values go up to capitalize on the difference of 2 percent of the taxes. I can't do the math in my head how to get there but it turns out to be quite a lot of money that you immediately added to the house.

de GRAAF: Another proposition comes up besides, of course, the ones we mentioned by Watson. Nineteen seventy was the year when Watson had two different Propositions, Prop. 9 and another, both at the same time.<sup>1</sup> But then some people from San Francisco, Mendelsohn and Francois, as well as the assessor of San Francisco, [Joseph E.] Tinney, put forth propositions, the gist of which was differential assessment ratios.<sup>2</sup>

NEVINS: I'm not sure they ever got that on the ballot.

de GRAAF: No, these were just plans.

NEVINS: The San Francisco one, that's essentially. . . . What they had was, they had different rates for different kinds of

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1. The interviewer was mistaken. Watson's Proposition 9 was in 1968; he proposed no measure in 1970.

2. Early in 1970, San Francisco County Supervisors Robert Mendelsohn and Terry Francois attempted to qualify a ballot proposition that would have reduced the assessed valuation of single family residences to 15 percent of full market value, while leaving all other property at 25 percent. This proposal did not appear on a 1970 ballot.

property. In other words, business inventories were taxed, as I recall, 40 percent. Homes were around 11 [percent].

de GRAAF: Hadn't A.B. 80 outlawed that?

NEVINS: When it outlawed them, then the people wanted it back. We raised their taxes, is what it boiled down to.

de GRAAF: So, essentially, this was an effort to get back to the system before A.B. 80.

NEVINS: Right. In other words, what had happened is, as a politician, you could spend other people's money for your constituents, and that's always good, if you can do it.

de GRAAF: I don't think it got on the ballot either. It was just floating around.

NEVINS: I don't recall that it did.

de GRAAF: Finally, there was one put forth by the California Teachers Association [CTA] to shift a good deal of the funding of welfare and school costs out of the property tax over to state funding.<sup>1</sup>

NEVINS: I don't recall that they got in on the ballot either. Let me try to recall as best I can the teachers' attitude. In the late forties and fifties, particularly, the school people really had a very sophisticated approach to what they wanted the property tax to do. They wanted to improve its administration and increase the revenue from it. That would

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1. Proposition 7 (June 1970).

immediately benefit the schools. We're talking about K[indeergarten] through [grade] 12, now. As time went on and the money started to roll in, the people who had worked on that faded away, and other people came along with other goals. Things like welfare came in, and these issues that were not resolved until Proposition 13 passed about the way the schools' support system worked. It tended to support rich districts more than poor districts. Even though the plan on paper was supposed to support the poor districts, the rich districts always did better. Beverly Hills always had more money per student than any of the poor districts, even though the state paid more. There was that long lawsuit that went wending through the courts.

de GRAAF: Yes. Serrano v. Priest I want to get to later on.

NEVINS: That was really resolved by Proposition 13 because, in effect, what they wanted was accomplished by Proposition 13, so there you are. They won it [Serrano v. Priest] right about the time of 13, but it became moot because the state had to assume the responsibility for local schools, and the effect was that these high value districts didn't get much in property taxes because there was a 1 percent rate. They shared it with other elements of government, so they didn't amount to that much.

de GRAAF: Serrano v. Priest was first filed in 1971 [and] ultimately decided in 1976. You're right. Within two years, Prop. 13

had made it moot. Then, in 1971, I believe it was, Reagan finally works out with the Democrats in the legislature that ultimate plan which brings us withholding of income taxes and so forth [A.B. 1]. Now, on something like that, [the] Franchise Tax Board, of course, runs the income tax. Does the Board of Equalization get in on shaping those measures at all?

NEVINS: The chairman of the Board of Equalization, of course, was a member of the Franchise Tax Board. He's one of the three members. So we were interested in it. Of course, we were the appeals body.

de GRAAF: You were chair that year, weren't you?

NEVINS: I don't remember what year.

de GRAAF: Nineteen seventy-one, it was. I think you were the chairman.

NEVINS: I supported withholding. I felt that was the only way to administer the tax, and so did the staff of the Franchise Tax Board. One of the things that we always found when we went into withholding is that it always underestimated what they'd been losing. The Franchise Tax Board was no exception to that. They got a lot more money than they thought they were going to, but they concealed it by changing rates and conditions and stuff like that. But actually they made a tremendous revenue. The system they had before was not very effective. A whole lot of things have come on-stream to make state income tax administration more efficient. One is much

more cooperation with the IRS, which is very substantial now compared to what it was, say, in 1970. Withholding at the state level has made the state, in some ways, more effective than the federal. We're picking up taxes that they don't get. The Franchise Tax Board, on revenue efficiency, it's very great. The one place where both of them have difficulty is small business, and neither of them have gotten a really effective way of taxing that, whereas the Board of Equalization has been quite effective in taxing small business. That's what the sales tax is all about. But the small business people avoid income tax. You can see them. When you go in and they don't have a cash register, you know they're playing games.

de GRAAF: Let's take this year 1971, when you were chairman of the board. You said that one of your functions was to serve on the Franchise Tax Board. Did that board meet regularly?

NEVINS: At that time, it did not. The Franchise Tax Board started meeting regularly in the late seventies. I can't remember just exactly what the circumstances were, but it got some new members, and they got tired of meeting once or twice a year. Flournoy didn't like Bennett, and that's one of the reasons he didn't call many meetings. But his successor had a deputy that he had sit in his place, and his deputy liked to have meetings once a month, so they had them. Then, they really ventilated a lot of stuff that needed ventilation, and I

think that helped the board. I think when you run everything in sort of a closed scene, things fester around and you don't do very well. I think getting things out in the open helped the Franchise Tax Board.

de GRAAF: What, exactly, is the function of the Franchise Tax Board?

NEVINS: They really have only one major function, and that's to choose the executive officer of the board. When I was there first, the guy, once he was in, couldn't be removed by the board. Now, he can be removed by the board. But that was a function. The other function, really, was to set the bank tax. At that time--we're talking about the early seventies, now--it had a very complicated formula which has since been changed and is now not much of a job. It took a lot of computations by the staff. They used to have a hearing, and there would be this pile of records around. Anyway, that was the only real function you had to do. But what did happen over time was that the. . . . Who was the controller before the present one?

de GRAAF: [Kenneth] Cory?

NEVINS: Cory. He wanted to have a lot of this stuff out in the open. He wanted to have a sort of regular board meeting of everything. We talked about what they [the staff] were doing, what their legislative program was. He wanted that ventilated; he didn't want to have a legislative program that didn't see the light of day. Even though he had been a

legislator and did this himself, he was very strong in having the legislative program out in the open. So that's one of the things he worked on: what bills you were going to support and which ones you were going to oppose. Actually, part of the time, we opposed some of Jerry Brown's programs, particularly on federal legislation. We were very open about it. Jerry was a little annoyed about it, but there was nothing he could do. Then, when Deukmejian was first governor, we opposed some of his programs. He was very upset about that but there was nothing he could do about it.

de GRAAF: Did the Franchise Tax Board, having a representative from the Board of Equalization as well as the other taxation systems, ever try to operate as a sort of master tax planning body?

NEVINS: I think that had been one of the original plans when it was set up in 1930, but I don't think they ever really were able to get to that. For a long period of time, the Board of Equalization was a more effective tax agency than the Franchise Tax Board. I would say that the Franchise Tax Board in the last three or four years I was on the board had become a more effective tax agency than the Board of Equalization. Our executive officer was sort of failing in this capacity, let's put it that way.

de GRAAF: Referring to Bell?

NEVINS: Yes. Bell had some psychic problems, we'll call it, whereas the Franchise Tax Board was just going like crazy and had a

much better system of estimating revenue and was much more involved in the legislative scene because there was the worldwide unitary thing and the corporate income taxation, issues like that that were right out there all the time. The federal income tax changes, of course, affected the state tax two ways. One [was] what people were going to do in reaction to the federal tax, and what changes should we make at the state level to conform with the federal. Actually, California conformed in a [different] way. We didn't raise a lot of revenue, which is what the other states did. When the other states conformed to the federal taxes, that had the effect of raising revenues, which is always a great shocker to the natives. Accountants, as a group, are unable to think straight a lot of the time on tax policy. They may be great on bookkeeping but they couldn't believe that the state had to take an active role in lowering rates in order to keep from raising the revenue. That was a point they just couldn't understand. That's what happened.

de GRAAF: One of the reasons I raise this is that two things begin to appear on the scene in the early seventies that I'm rather fascinated by. One of these is a little bit of game playing back and forth between different taxes. I'm particularly thinking of a measure first passed in 1971 and strengthened, apparently, by the Property Tax Relief Act of 1972, which had another jump--this was a big jump--in the homeowners

exemption from \$750 to \$1,750 in exchange for which the sales tax went back and forth between 3.75 [percent] and 4.75 [percent], and it changed about two or three times over a year.

NEVINS: I never understood all that myself. I remember once I was in my office on June 30 [1973], that was a Saturday, and the governor [Reagan] either had to sign a bill or not sign a bill. As I remember, he had to sign a bill or the rate would change. It was some arcane battle between the governor and the legislature which we violently objected to, and we just told them, "Look, how do you expect us to administer a tax if you're going to change the rate with twenty-four hours' notice?" The rate changed. I remember I was at the office for some other reason. I think the rate was being lowered at that particular point, on that June 30, so I had to go out and get the reimbursement tables for the lower rate. I had to drive down to Torrance and give it to the Daily Breeze. They agreed to plant it on the front page of the paper the next day because that was the only way the merchants were going to know how to reimburse for sales under a dollar. That was the kind of thing that we went through. I just can't remember what the issues were on that; I really don't. They were little bitty issues that can't stand any analysis is all I can remember. It was just a squabble between the governor and the legislature that was finally resolved with

the higher rate. I don't remember what they did. That may have been the thing where they increased the homeowner's exemption. But they must have put the renter's credit in and increased it, too.

de GRAAF: I think they did put it in about then. I think that was part of the whole property tax issue.

NEVINS: I think the Democrats were very strong on that. I've forgotten all of it. It's one of those things that everybody was annoyed with, let's just put it that way.

de GRAAF: The other thing that this gradually seems to phase into, though, is what sounds like the Board of Equalization trying to get into a form of fiscal policy. I base this question on the following: around 1974, your annual reports begin to have a new section in them called economic analysis. It's a very sweeping review of all of the things that have been happening in California, all the different business decisions and how the economy is performing and so forth. About this time, or a year or two before, I begin to get suggestions that the Board of Equalization is backing such and such a measure to stimulate the economy or such and such a measure to fight inflation, fiscal policy type of things I've never noticed in any of the earlier [reports].

NEVINS: There were a couple of guys on our staff I think were involved. One was this guy named Bob Gustafson and the other was a guy named [Jeffrey] Jeff Reynolds. They liked to get

into that. Now, there's a sort of void, and there still is, to some degree in California, on revenue estimating. Since there isn't a department of revenue in California, revenue estimating is done by the Department of Finance, which, regardless of what its name is, is really the budget department of California. They have a staff of people that make budgets for the governor and make estimates of revenue for the governor's budget. Somewhere along the line, they made some serious error in estimating the revenue; I think they underestimated the revenue. The legislature felt that they couldn't and didn't spend the amount of money that they wanted to spend. So the legislature created another revenue estimating department that, I think, reported to them. It seems to me somewhere along the line in there there got to be a third one of these things, so there were three different revenue estimating groups. But none of them were by the departments that collected the revenues. Revenue departments per se weren't necessarily accurate; they can't forecast certain kinds of economic conditions. But they can tell if [there's] revenue change or if there's a kind of change in businesses in the state that affect revenue. Like, auto sales are a very big part of the sales tax, so we monitor them very, very carefully. We do that and give our information to the Department of Finance and other things. Jesse Unruh was involved in this; he set up the one that

NEVINS: involved the legislature. But it seems to me there was a third one because when you start reading about the budget you read about all three of these to see whether they agree or not. So I guess we tried to horn in on it a little bit. But we were always asked to make our estimates by all these people. What do we think's going to happen? What do we think the effects of the exemptions that have been passed are, the interaction, and all that baloney that goes with these different things? So even though we officially aren't part of revenue estimating, unofficially, we are. That accounts partly for the economic analysis which, I think, our people put in just to show how smart they are. But I don't think the board members ever paid much attention to it.

de GRAAF: So it didn't represent any basic change in your functions?

NEVINS: No, it really didn't. Someday, the revenue estimating on the state level has got to improve. There's been some real problems with it. You'll notice the governor [Deukmejian] gave the billion-dollar refund [1987] and then the next year was a billion dollars short. That's the kind of problem that really is very embarrassing in state government and, of course, raises people's doubt about the capacity to govern itself if it can't do better than that. So sometime that issue has got to be dealt with. It's not simple, when you think about it. But revenue agencies are right close to the taxpayers and can easily tell the estimators, "Well, you're

going to have this problem here. We believe that this is what your revenue gain or loss is going to be."

de GRAAF: Are these annual reports always written by staff members?

NEVINS: We [members of the Board of Equalization] got involved with them for awhile there. We wanted to improve them and we did. You'll notice if you take the early ones, some are written [in a way] you can barely understand what they say. We tried to clean up the language, get the pictures in, and every one of them would clearly say what we were doing. Our idea on that was that the legislators had to know what we were doing, and if we were talking to groups, we could hand them an annual report. That would get the person on board on what we were doing. So I considered it a sort of PR document from that point of view.<sup>1</sup> Of course, it goes around to all the other state tax departments. If we've got some new administrative gimmick, we want them to do it because we want the other state tax departments to be strong. Because if they're not strong, then these heavy big businesses lean on us and our legislature and say, "Your tax department here is doing something that nobody else does." Most of the legislators know that the other state departments aren't getting the revenue they should, but it helps to have us have the other people talk about, "We're going to do it, too."

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1. Board members wanted to be remembered well in history books. A nice annual report helps achieve that goal. [Footnote by Mr. Nevins.]

- de GRAAF: A little archival note. You send your report to other states. Do they send a comparable report to you?
- NEVINS: Sure.
- de GRAAF: Have these been systematically kept in Sacramento, either in the Board of Equalization office or in the state library?
- NEVINS: I'm not sure of that. You want to call Jeff Reynolds [of the Research and Statistics Division]; he would know that. He has an equivalent person on the Franchise Tax Board.
- de GRAAF: Because that would make a fascinating library of American tax policy.
- NEVINS: Not all the annual reports of other states are as nice as ours. Some of them are, but some of them aren't. Some of them are pretty terrible, really. Maine, I don't think their revenue department has a separate report. I think it's part of some other report.
- de GRAAF: One thing that sort of accumulates. I'll just give it one name and say "new responsibilities." All through the seventies, it seems that almost every year, some new tax was being added on. You've mentioned in 1970 the transit district sales tax.<sup>1</sup> Then, in 1973, comes the Waxman-Dymally Campaign Disclosure Act.<sup>2</sup>
- NEVINS: That was a change. I think the board made audits for one

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1. A.B. 1984, 1970 Reg. Sess., Cal. Stat., ch. 94.

2. A.B. 703, 1973 Reg. Sess., Cal. Stat., ch. 1186.

or two years, and then the Franchise Tax Board made them from then on.

de GRAAF: You didn't have that as a lasting responsibility?

NEVINS: And we didn't want it, either.

de GRAAF: I didn't think so, no. The transit district tax, you still have that to do?

NEVINS: Yes. That's part of the sales tax. This is just an add on; like the uniform local sales and use tax. The legislature's authorized every county to levy those taxes, and only a few counties do, maybe six or seven of them, maybe nine now.

de GRAAF: I remember in the late seventies, it was only four.

NEVINS: There was a flurry about two years ago, it seems to me. Just about the time I went out, a number of counties started levying the tax. So that all around the Bay Area now, the tax is a uniform rate. There was quite a long period of time there where a couple of counties had not levied the tax, but I believe they've all done it now.

de GRAAF: So this was not a particularly big burden to the board?

NEVINS: No. That's an interesting thing. Administratively, we can take those on with very little increase in staff. Typically, when the Los Angeles one came on, it was pretty big, so I think we got a couple of people on that. But the department that handles that only had about twenty-five people, and a lot of their work is spent in correcting errors of allocation that occur in the audits. Sometimes you'll see there won't

be any tax for some big corporation in a county where they know they have a store, so somebody's got to call them up and get it fixed, reallocate the thing. There's a lot of Mickey Mouse work that goes with it. When you put in the tax, then we notify all the people in business in that community. We generally notify everybody statewide, actually. It's part of the game.

de GRAAF: Back in 1969, you'd added an aircraft jet fuel tax.<sup>1</sup> Had that not been taxed prior to then?

NEVINS: The tax was on gasoline. Of course, jet fuel is not gasoline. At that moment, it wasn't considered the same as diesel fuel. Actually, it is the same as diesel fuel. I think that's a tax to support airports. It's a limited purpose tax. It's not on commercial jets; it's on private jets. The commercial planes don't pay a fuel tax. They pay a sales tax, though, on fuel. I think that little tax that's there is primarily to support airports.

de GRAAF: Then, you get in 1975 the electric energy surcharge.<sup>2</sup> Was that a Jerry Brown type of . . .

NEVINS: As you remember, we started having those energy crises. As I recall, this is a tax that supports the energy department

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1. Aircraft Jet Fuel Tax Bill, A.B. 1244, 1969 Reg. Sess., Cal. Stat., ch. 1587.

2. Energy Resources Surcharge Law, A.B. 2077, 1974 Reg. Sess., Cal. Stat., ch. 991.

[Energy Department and Conservation Commission]. It's pretty limited.

de GRAAF: It supports energy conservation.

NEVINS: And then there were some benefits. It's very Mickey Mouse. We didn't have a lot of expense with this because we already dealt with the utilities. We knew who they all were because we had the property tax on them, so we didn't have any problem finding them or any of that stuff. But as I remember, the rate's pretty low.

de GRAAF: Yes, something like one-tenth of a mill for a kilowatt hour.

NEVINS: I think the Franchise Tax Board actually handed out the benefits in the form of income tax credits, as I recall. So we didn't handle those except as appeals from the Franchise Tax Board. We had a lot of hearings which were so boring you couldn't believe it, and over Mickey Mouse details. You wondered how in the world anybody ever designed legislation like that. These environmental types were very impractical. I don't know if you'll get to the timber taxes.

de GRAAF: I'm about to get to those.

NEVINS: Designed by madmen.

de GRAAF: Are you referring to the 1974 or the later Z'berg Act of 1977?

NEVINS: It seems to me that the first one was an interlude that was like the second, but there was a constitutional amendment somewhere in there.<sup>1</sup> It permitted the legislature to set up

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1. Proposition 8, November 1974 (A.C.A. 32, 1974 Reg. Sess., Cal.

a different system of taxing timber. I think the legislature took two cracks at it. The first one didn't work very well; it never really became effective. The second one was the one that we have now.<sup>1</sup> The idea was if you tax timber at the time it was cut, then people would be inclined to grow forests for profit. In other words, they wouldn't have to pay so much property tax. They would just pay the tax once. Well, this theory sounds good; it sounds so rational. That's one thing about the world is a lot of things that sound rational, when you do them, they don't work out that way. The problem is that when you cut lumber, you're going to cut it when the market's right. That doesn't have anything to do with the financial needs of the counties. So what happened was that these counties got left out, the revenue, so they either had to pick it up at the state level or get federal money, which they were pretty adept at getting. But it upset the local revenue base rather substantially. Then, of course, to have the rate lowered from 3 percent or whatever it was to 1 [percent] is even worse. These counties don't have much. We're talking about Trinity and Siskiyou and Del

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Stat. r. ch. 70) had one section which authorized the legislature to select a different system of taxing timber, including one not based on property valuation. The proposition revised many other constitutional provisions relating to taxation, including property tax and exemptions, insurance tax, bank and corporation tax, income tax, and community redevelopment.

1. Z'Berg-Warren-Keene-Collier Forest Taxation Reform Act, A.B. 1258, 1976 Reg. Sess., Cal. Stat., ch. 176.

Norte; they don't have any sales tax revenue there to benefit them. Really, what's there is trees. So they were very hard hit by this thing, even though they tried hard to design it so they wouldn't be. It's got the goddammedest administrative baloney. We had to hire a bunch of people and set up special staff to grade these trees and find the market prices of them. Because you don't take the actual sale; you take what the sales should be. The thing gets weird. It's a very expensive tax to administer. The administrative costs were somewhere around 12 percent of the total revenue. I think we'd be better off going back to the old system, myself.

de GRAAF: Which was to just treat trees as a form of property and tax them every year.

NEVINS: Actually, if you have a forest of trees in California, you clear cut an area; you don't clear cut the whole forest. So what you do is, you're going to end up with some trees anyway. You're going to end up with trees in various stages of their development. But these people--they were Brown people--they just had no concept of having simple administration. That's, I'd say, one of the things I noticed as I got near the end of my governmental career was how complicated programs got. For example, the energy program. It was complicated to figure out how you qualified for those credits. You had to do it just in a certain way. If you don't it that way, you don't get the credit. That sort of

defeats what you're trying to do, really. Then, some of the things should never have had a credit anyway, like insulation. They gave a credit for a certain kind of insulation. You gained so much on it if you just did it by yourself, you don't need a tax credit.

de GRAAF: There seemed to be a feeling in the seventies that good social causes could be helped along if people got a financial reward for doing things.

NEVINS: There was a lot of that. I think the people who thought that was a good idea never got in on the end product of how do you administer it? What's it like at that level? At that level, it just doesn't measure up.

de GRAAF: One more that might fall into this. It was an emergency telephone use surcharge tax?

NEVINS: That's the 911 tax.<sup>1</sup> OK. What happened there was that the telephone company had enough muscle in the legislature to say, "We're not going to let you pay for this service to the people out of our rate." In other words, "You can't increase our rate to pay for this. You've got to have a tax." So then they set up this tax which is only on intrastate calls, and it's an add on to the telephone bill. It's called a tax, if you use that word. It's just one of those little things

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1. Warren 911 Emergency Assistance Act of 1976, A.B. 416, 1976 Reg. Sess., Cal. State., ch. 443.

that didn't amount to anything, and we levied it for ten years or so. My understanding is, last year--that was 1987--the legislature just abolished the tax and put it in the rate, which is where it should have been all along. What it does is, it pays for these 911 systems. In L.A. County, they're managed by the county fire department. There are eleven sites in L.A. County. What happens is, if you dial 911, the persons there can see your telephone number and your address where you dial from. That's what this is all about. Then, even if you can't talk or you're dead or whatever it is, they can react to it; that's what that's all about. That's why they don't like little kids to dial the fire department on the fire department lines. They want them to use the 911 so they get the right address, and they'll often tell them to hang up and dial 911 just for that reason, because they're not sure the kid can give them the right address. There's a lot more to that gimmick than I want to tell you about. Just take it from me that that's how it works.

de GRAAF: Are these the sort of things you were referring to this morning when you said that the real increase in exemptions came with Brown?

NEVINS: No. What Brown did--and we're talking about Jerry, now--he became a very weak governor. When he started out, why, it looked like he had a lot of power, but the legislature got

his measure pretty early on. The legislators found that one of the best ways to get ahead with some interest group was to pass an exemption bill. They got so they could beat them through Jerry. If you just look at the lists of them--Deukmejian isn't as bad as Jerry--there would be about eight or ten sales tax, income tax exemptions every year. Some of them were just ridiculous. The one that really got me down--I had a really big fight face-to-face with Jerry--was custom software. I said there's just absolutely no sense in exempting custom software. The people that need it, need it. They don't even think about the sales tax on it. You've got this situation where you're going to tax "off the shelf" or something software. You've got to tax VCRs [video cassette recorders]; you can't not tax that. But here's this thing in a can. They look just alike; you can't tell them apart. But you order something made by somebody and it's exempt! Then I said to him, "The taxpayer on this, the biggest single taxpayer, is Western Electric." They estimated that the revenue loss was going to be \$20-some million. Actually, it was about \$35 million. But \$12 million of that was Western Electric. The state itself had had some made and would have been a beneficiary under this bill like \$10 million. The people who benefited from it were this small group of people from the Silicon Valley, who had absolutely no idea what was going in the industry at all. I

NEVINS: mean, I went to the hearing and I said, "Have you ever heard of Western Electric?" They said yes. I said, "Do you have any idea how much they had?" "Well, no." "What about General Telephone? What about the state?" There were big banks and stuff like that. They all buy tons of custom software. It was one of those exemptions that was expanding in a business that didn't need the exemption. There is another one on printed matter. They just came on and on and on after awhile. The problem was, you had to explain these to people. They would say, "Here I'm doing this. It's just like what you've exempted, only it doesn't appear that I'm exempt. That's unfair." We'd say, "Yes, it is." Bottled water was another one they exempted.

de GRAAF: Bottled water?

NEVINS: Yes. Then, when they got the exemption, I remember. . . . Sparklett's is on York Boulevard just a few miles away from here. They got the exemption, they raised the price, and they sent a notice to their customers that they could raise it less because it was now exempt. I sent this to the author of the bill and I said, "Look. This is what you got."

de GRAAF: One final thing on this. The State Board of Equalization did not have the power to say these exemptions were inequitable?

NEVINS: Let me tell you what happened in the final years when I was in. I got a couple of board members who liked campaign contributions and maybe personal contributions. I don't know

about that, but certainly campaign contributions. So they would go along with these things, figuring that if the board didn't oppose them, then the legislator would say there was no opposition to the bill, and they would get a payoff. That's what it was. I was the only board member that really went out and beat on these things. Bennett joined me on a few, I'll say that for him. Once in awhile, the controller would go with me, although generally his position was that if the legislator wants to carry a bill on exemptions, far be it from me to stop him.

de GRAAF: You're talking about Bert Betts, now?

NEVINS: No, Cory. Jerry opposed one or two. If nobody opposes them, then they can say there's no opposition. So I always had to try to tune up the board. I really had a hard time on the Franchise Tax Board. I got a few opposed on the Franchise Tax Board. Because they had some real dogs.

de GRAAF: Just a few other things and then maybe we can wind up. You were, through much of the seventies, the chairman of a committee on data processing within the Board of Equalization. I notice in the late sixties and seventies that most of your operation, apparently, becomes computerized. There are two names that I'd like you to see if you can explain in layman's language. In the late sixties, the key word seems to be program planning.

NEVINS: That's just one of those management gimmicks. I can't

remember how it worked but it's just one of those ways to plan things, that's all. It has nothing to do with data processing per se. Let me just say a little bit about data processing, because I think the people who read it might be interested. The board got into what is now called data processing in 1935, when it started to make up the role of the utilities statewide. So we got into the hard-wired air-operated. . . . You remember the early machines had little fingers that you pulled through with a vacuum into the Hollerith cards? We were using that. So we had been into data processing from day one. Then, when I first got there, the only kind of machines were the hard-wired machines; they just sorted cards. I remember when we first got an EAM [electronic accounting machine], I guess they call it, an electro[nic] something or other machine. So we were right out in front with data processing, and the effect of using it was that we were able to keep our clerical staff down and our costs down. In other words, as we got more taxpayers and more money, per dollar of revenue, our costs dropped all the time. You'll notice if you go back to the time when I started in there, we had about 2,100 employees when I came in 1959. That's people actually on the payroll. We were authorized 2,400. When I left, we had about 2,700, and we had a lot more tax programs. We had about three times as many taxpayers. Our audit coverage dropped in this period;

NEVINS: that was the bad thing about it. But we kept our collections up pretty well. We kept track of them a lot better with data processing; that was one of the big benefits. But all the Mickey Mouse stuff of keeping track of taxpayers and billing them was done by machine all the time I was there. It was always done by a machine but we didn't always have the modern kind of machine. You had the hard-wired machine and the Hollerith cards, which now you don't have. Everything is taped, at least when I left. We were getting a new machine. My committee that I worked on was trying to keep the thing going. The legislature got very interested in data processing in terms of trying to stop departments from having it because they felt it was a power device. They felt if you control the data processing of government, you control the department. That was one of the battles we had to fight. They put all kinds of barriers in our way to keep up-to-date.

de GRAAF: When did this happen, particularly?

NEVINS: I'd say it began to happen around the late seventies.

[End Tape 7, Side B]

[Begin Tape 8, Side A]

de GRAAF: What was the importance of this early use of electronic data processing by the Board of Equalization?

NEVINS: Why did I consider it important? One of the things we were doing with data processing, we were keeping our costs down so we didn't have to go in there all the time in the budget wars

and ask for a lot more people. In other words, our work load grew but we didn't have to have a corresponding number of people. Now, compare us to, say, the Department of Motor Vehicles, which is way behind on data processing. I noticed when I got my license this last week that, finally, they have an online system which we've had for about twelve years. Those things are very important in relation to taxpayers; they're very important in keeping your costs down, improving your efficiency. You often hear people say you don't get improved efficiency with data processing. Well, you can if you want to, and we did. If we hadn't, we would have been in constant budget wars which we weren't able to fight. So the way to avoid the budget war was to improve your efficiency a lot, which we did. Most of it was through data processing. There's just no question about that. That was absolutely vital to us to have modern, effective data processing, have enough programmers so that we could make our own programs. We only had one or two bad programs. Our accounts receivable was the bad one. We never got that one straightened out. But it was very, very important, and I think all the board members recognized that. They may not have made much out of it, but they recognized it as a godsend to them in terms of what it meant for them, what they would have otherwise have had to do in the legislature. When they had these cuts that every governor has, we really never got affected by them much

- NEVINS: because when we wanted somebody, they knew it was very cost effective; they knew we weren't wasting their money.
- de GRAAF: About the mid-seventies, the thing which is being touted in data processing is called structured programming.
- NEVINS: I don't know what they're talking about there, I really don't. Those were management lingo words. You must have had one of our management training guys get in on that one, because I don't think those are words that apply to data processing. You talk about designing different kinds of software programs, and those aren't words that are used in software. We were designing our software right from the start because nobody knew how to make it, so we had to make our own. We buy off-the-shelf programs now, but we didn't then.
- de GRAAF: I guess for a long time you had to have custom programs.
- NEVINS: You had to; there wasn't any other way.
- de GRAAF: I want to stop this interview right at Proposition 13, so the last thing I'd like to deal with--this may be a bit of a wild shot--is, about 1974, California passes a Community Redevelopment Act, which, among other things, allowed areas of a city to set themselves up as a special taxation district, and the increase in assessment would then go to that district.<sup>1</sup> Did your board get involved in that act at all?

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1. Community redevelopment agencies date from 1951, when S.B.

NEVINS: Yes, we did. We had to give that redevelopment district the utility values, and we became the official state department that kept track of all these places. We were the state department with all the maps, which came out of the assessing business. Incidentally, since then, there have been some tremendous developments in map making that the state has not efficiently utilized. They have these ways of making maps on data processing now, where they can go right down to a foot or something like that. I would hope that somewhere along the line, the state would get into that program. I believe some states have already done it, but we have not.

de GRAAF: The reason I ask is that this is one of two devices that seems to be widely used by communities in the wake of Proposition 13 to enhance the revenues.

NEVINS: They were doing it before 13, no question about that. They had a program like this before that bill you're talking about. That bill regularized the program around the state.

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1031, 1951 Reg. Sess., Cal. Stat., ch. 710 set up Division 24, Community Redevelopment Law, in the Health and Safety Code. This act authorized the establishment of redevelopment agencies and a Redevelopment Revolving Fund, but made no allowance for the division of tax revenues. The principle that a redevelopment agency could receive the excess of property taxes due to such redevelopment was established in A.B. 1734, 1963 Reg. Sess., Cal. Stat., ch. 1812, which rewrote the Community Redevelopment Law. But the lack of constitutional authority apparently limited the use of this revenue vehicle until the passage of Proposition 8 in November 1974. That amendment wrote the 1963 division of revenue principles into the constitution and, since then, redevelopment has become a more widely used means of local revenue enhancement.

But there were special redevelopment districts before that. We were involved in the utility roll part, and the assessors, of course, gave the other values. As you know, there's a lot of political hocus-pocus about those things.

de GRAAF: The other thing that's mentioned in passing in one of your late 1960s' annual reports that I've noticed is becoming a real mania, around Orange County, at least, is the hotel-motel tax.

NEVINS: Those are local taxes that the legislature authorizes cities and counties to levy, and most of them do now. Of course, some of them don't have any motels or hotels to amount to anything but it's a major source of local revenue. I would assume in Anaheim it's probably one of the leading revenue sources.

de GRAAF: All through Orange County.

NEVINS: Particularly Anaheim, with all the motels around Disneyland.

de GRAAF: What's happening is a lot of cities that haven't had motels in the past, just in the last few years, are going into a craze to put them up. We have one on campus, of all things, going up.

NEVINS: Oh really?

de GRAAF: On Cal[ifornia] State [University], Fullerton, yes. It's all tied in with redevelopment. We found a gimmick to fund a sports arena which, ordinarily, state universities are not allowed to have, by having two ends of our campus declared a

redevelopment area. We put a hotel on one, and the surplus property tax revenue from that goes into a special fund to build a sports arena at the other end.

NEVINS: There's been abuse. I would say, somewhere along the line you're going to have a Proposition 13 kind of thing against redevelopment. Now, this city went through that. They had a big redevelopment plan and they got almost everything they wanted built, but the redevelopment zone is out of commission. They're just going to run off what they did but there's no effort to put any new stuff in. Even though there are some parts of town that sorely need redevelopment, they're not going get redeveloped. That's all there is to it.

de GRAAF: During your tenure on the board, did either redevelopment or the motel-hotel tax become much of an issue?

NEVINS: No. When we first started out, the motel tax usually was the same rate as the local sales and state tax combined. In other words, if it's a 5 percent rate, they'd levy 5 percent. Now, of course, they levy much higher.

de GRAAF: Ten percent.

NEVINS: But that wasn't the way it was at the beginning. Counties like it particularly because they didn't get a very good deal on sales taxes. Often, these motels were in unincorporated areas, and that was one of their good revenue sources. I don't think there's much unincorporated land left in the county of Orange.

de GRAAF: Well, some. But you're right, it's passing.

NEVINS: Like in L.A., there really aren't very many. You just saw one more city incorporate this past Tuesday in your area there.<sup>1</sup> That what's happening in L.A. It's surprising with Proposition 13 why not every part is incorporated, but that's the way it is.

de GRAAF: A final thing, sort of to leave us on the doorstep of Prop. 13. Had you or the Board of Equalization had much association with Howard Jarvis before 1978?

NEVINS: No, we really hadn't. I had seen him a couple of times before he got really going in this, and he wrote a column for a little paper that was published up on Mulholland Drive. I've forgotten what it was called, Hillside News or something like that, and I read that. You remember, he had been a newspaperman. But other than that, I didn't know him. I'd never thought he was going to become the great thing that he did. I did, as I told you, run against him in 1970 and defeat him, but he didn't have any support from the Republicans. They were mad at him because he split the conservative vote in some prior election and lost the senate race that they were particularly interested in.

de GRAAF: The other aspect of leading up to Prop. 13 is that by 1977, I notice, your annual report is taking quite a bit of notice of

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1. Dana Point in Orange County.

the escalating assessment rates and the correspondingly rapid growth of property taxes and calling it a major problem in California taxation. Of course, in the spring before Prop. 13 passes, there were some legislative efforts. The one I recall best is the Peter Behr bill.<sup>1</sup> Now, do you recall that the board, on the eve of that election, was trying to work out any sort of alternative to Prop. 13, or compromise?

NEVINS: I think the board was very dissatisfied with the legislative effort. This Peter Behr bill was a compromise of a whole bunch of crazy plans all put in one bill to give tax relief. First, I don't think most legislators, as well as we [the board]. . . . While we knew there was some surplus, we had no idea how big it was. This is one of the reasons there was this big fight about budget estimates, that people didn't know how much money there really was. That was part and parcel of that. We knew that the Reagan tax act [A.B. 1] of 1971 that we've already talked about was getting in a lot more money than anybody thought it was going to get. Withholding had become much more effective than anybody wanted to admit. I remember I was at a conference out at U[niversity of] C[alifornia], Riverside. That's one of the very few ones that the university ever had that made any

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1. S.B. 1, 1978 Reg. Sess., Cal. Stat., ch. 29 was placed on the June 1970 ballot as Proposition 8. It offered property tax reductions to owner-occupied dwellings. It was defeated 47 percent to 53 percent.

sense, by the way. They had a government department at that time out there; they don't have, anymore. They got a conference together. We had Doerr and a bunch of legislators, me, and we all talked about ways to try to deal with what we saw as sort of a tax crisis of too much money being collected. One of the things I recommended, and Doerr sort of agreed with me, was that what we should do is have credits. You file your return and then you get a 10 percent credit or something like that on it. I felt that it would be best to do it on the income tax and not the sales tax. We could lower the rate; that would be one way to go. But that would be the next thing you would do. First, you would give an income tax credit. Then, lower the rates would be the next thing you would do because then you would just about take care of everybody doing that. But the legislature just wasn't interested in that. They had all kinds of social programs they wanted to get in, take care of their friends. This thing that came out of the legislature that was on the ballot in competition to 13 was so. . . . I think it was [Proposition] 8.

de GRAAF: I think it was, yes.

NEVINS: It was just a terrible bill. The board unanimously opposed it. Every member was there. It was such a turkey that they didn't want to have anything to do with it, didn't want to be associated with it.

de GRAAF: But the board didn't try to make its own alternative.

NEVINS: Not really, that I recall. The only effort I made is I thought of using the tax credit on the income tax. You could call part of that a reduction of overpaid sales taxes. Then, it was to be a refundable credit. It wouldn't have been hard to administer in those days because we had the rental thing. I believe that was in place at that time. We could have increased the rental credit. We could have made it a short-terminer, see? That was my idea, that that would be good in the income taxes. It's hard to do that. You really shouldn't change the rate on the sales tax a lot. It creates a lot of planning problems for business people, people buying things. If they don't know what the rate's going to be, how can they budget very well? Whereas in income tax, things are more flexible. I felt that was the way to go with it. But that plan was too simple; we couldn't do that. I tell you, people like complicated plans, and they got more and more and more complicated in time, because everything is fairly complicated, and I don't know what's in it for anybody.

de GRAAF: So, in effect, you just had to look on helplessly as the election approached.

NEVINS: People were blaming it on the legislature, which, I think, was a bum rap. I think that the real problem was that local government was just spending money like crazy. So the state had a surplus which could have been dealt with effectively.

I think Jerry Brown's part of the problem there. My line of reasoning--and no one's ever argued with me on it--is that he knew there was going to be the surplus and he was going to run for president in 1980. He would get reelected and then announce a tremendous tax reduction in California in 1979. You can follow that line of reasoning. I think that's what was in his mind. Jarvis cut him out of it.

de GRAAF: One other thing I did want to bring up. It's totally off tax policy. But in 1976, I believe it is, Jerry Brown appoints Iris Sankey to the board, I guess to the seat that Lynch had resigned from.

NEVINS: He died.

de GRAAF: That's right, he died right on the spot.

NEVINS: He died down here the week after Thanksgiving. Then, Jerry couldn't make up his mind. There's a lesson there. You should make your appointments fast, otherwise you get lobbied. Anyway, Jim Mills got his mistress in; that's who Iris Sankey is. When she ran for reelection, she had not built up a public that wanted her. The district was a hard district for a Democrat to win. I remember I had to make a decision not to give her any money because I just felt it was throwing money away.

de GRAAF: She was replaced by Dronenburg.

NEVINS: Yes. He won a contested Republican primary.

de GRAAF: What I was going to come to with Sankey, though, is she the first woman to ever be on [the board]?

NEVINS: There was a woman elected in 1934, Orfa Jean Shontz. She was elected on the board and served about two years. She rubbed the board members the wrong way, so one of the powerful board members went to the governor and got him to appoint her to a municipal court in Los Angeles. She wanted it anyway, so she was satisfied with that. She was able to get reelected every time, so that wasn't a problem. She was, apparently, still alive when I ran but died shortly after I left.

de GRAAF: I notice that by 1977, your annual report was acknowledging an underrepresentation of minorities and women on the board and starting some sort of affirmative action program.

NEVINS: Jerry Brown went into that, but it would have come whether Jerry was there or not. I had a female deputy all this time, Shirley Filiatrault. The climate of opinion changed, and recruiting blacks and browns and women started to become a big thing. Shirley and I sort of pushed that one along and got it going. The problem with having equal opportunity in the state is that Sacramento is pretty much a white, middle-class place. There really aren't very many blacks, browns, or anything up there. Yet, all the state headquarters are up there. So you have this city where about one-third of the board employees are located, in a place where there are no browns, no blacks to recruit if you wanted to. So you have to make up for it out in the field. So you end up with your office just overwhelmingly brown or

overwhelmingly black, and the board members--and I was one of them--said, "They're so unrepresentative of where we are. We have so many browns. There are not that many browns around here relative to what we have." And they keep pushing on us to get the browns, though, because we're low on browns. We have all these Spanish-speaking types around, who are pretty hard to recruit, by the way. I don't really go for that. I think that they ought to let the districts be pretty much like where they are and not having to make up for this because people get kind of pissed off after awhile, especially the supervisors. You've got to do the work, and tax administration is not one of those things where you can have a lot of guys not doing anything. You can have a few of them, but you can't have a whole office full of timeservers; it just won't work. You've got to collect the money. They can measure that. [Laughter] Overall, we've done a pretty good job on equal opportunity and affirmative action. We always try to hire competent people. We did not get buffaloed into just hiring people. The feeling was they [minorities] weren't as good as the good whites. We've had very good Asian types. We've even had Iranians who were super, but you don't get many of those. We had one woman who was one of the best auditors they ever had; she went into business for herself. She was an upper-class Iranian. I don't know why she ever went to work for us. That's not

NEVINS: their kind of thing, to work for the state of California.

[Laughter]

de GRAAF: I just wanted to get some comment on the . . .

NEVINS: That was one of the things we pushed on from day one. We didn't get anywhere. It [Board of Equalization] was a male chauvinist, white, pig place. We were very definitely sort of military oriented when I first got there.

de GRAAF: Military oriented?

NEVINS: Oh, yes. A lot of people had been in World War I, World War II. It took quite a while to get them used to having women supervisors, women auditors. When I first came in, we had, like, three women auditors. I think we had one black, a couple of browns. We've always had Asians. We've always had Jewish people. But going the rest of the way was tough going, very tough going. About the time Iris came--it wasn't just Iris--conditions started to change. Nowadays, I don't think you could run an organization and have all white Protestants. I don't think it's possible to create a white Protestant organization if we wanted to. I don't think you could find enough of them to do it. [Laughter] So the issue, I think, is sort of behind us on that. Your big problem in an organization like this is you've got to develop the people. You've got to train them, you've got to have an organization spirit, a mission, and make it clear what it is. It's like any big organization. If you don't do those,

then your efficiency starts to fall off. Unfortunately, all these governors come in, and that's the first thing they do is cut your training. You really can't do that. You've got to consider that state government, particularly the revenue collecting side of it, is a perpetual thing. If you cut back, you're going to pay for it downstream. You can't play games with that, in my opinion.

[End Tape 8, Side A]

[Tape 8, Side B, blank]