

California State Archives  
State Government Oral History Program

Oral History Interview

with

**HON. RICHARD NEVINS**

Member, California State Board of Equalization, 1959-1987

March 23 and April 18, 1989  
Pasadena, California

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

**TAX REFORM AND FISCAL POLICIES**

Volume II

## RESTRICTIONS ON THIS INTERVIEW

None

## LITERARY RIGHTS AND QUOTATION

This manuscript is hereby made available for research purposes only. No part of the manuscript may be quoted for publication without the written permission of the California State Archivist or the Oral History Program, History Department, California State University, Fullerton.

Requests for permission to quote for publication should be addressed to:

California State Archives  
1020 O Street, Room 130  
Sacramento, CA 95814

or

Oral History Program  
History Department  
California State University, Fullerton  
Fullerton, CA 92634

The request should include identification of the specific passages and identification of the user.

It is recommended that this oral history be cited as follows:

Richard Nevins Oral History Interview, Conducted 1987, 1989, by Jackson K. Putnam and Lawrence B. de Graaf, Oral History Program, History Department, California State University, Fullerton, for the California State Archives State Government Oral History Program.

**TABLE OF CONTENTS**

SESSION 4, March 23, 1989

[Tape 9, Side A] . . . . . 345

Provisions of Proposition 13--BOE and  
Proposition 13 campaign--Arguments against  
Proposition 13--Reactions to Proposition 13--  
BOE rules on new construction and change of  
ownership--BOE staff work on Proposition 13.

[Tape 9, Side B] . . . . . 369

Budget surplus issue--Impact of Proposition 13  
on tax policies--Proposition 13 and November  
elections of 1978--1978 BOE election--Legal  
challenges to Proposition 13--Office of  
Administrative Law and BOE.

[Tape 10, Side A] . . . . . 393

National political reaction to Proposition 13--  
Property assessment after Proposition 13--  
Assessment appeals--BOE staff and organizational  
change after Proposition 13--Assessment  
legislation after Proposition 13--Bailout--  
Developers' fees.

[Tape 11, Side A] . . . . . 421

State assessed property and Proposition 13--  
Gasoline tax as buffer to Proposition 13--  
Lottery-- BOE and collective bargaining--BOE  
reapportionment of 1982--Conway Collis--  
Hazardous waste tax--Energy surcharge and Moore  
telephone taxes--Other specialized taxes.

[Tape 11, Side B] . . . . .	449
<p style="padding-left: 40px;">Unitary tax and the ARAMCO case--Unitary tax as political issue--Tax evasion and tax amnesty--Budget crisis and supplemental assessment--Jerry Brown and sales tax exemptions--Erroneous tax information--Legal challenges to Proposition 13--Gann Spending Limit Initiative.</p>	
SESSION 5, April 18, 1989	
[Tape 12, Side A] . . . . .	477
<p style="padding-left: 40px;">BOE elections of 1958, 1962--BOE campaign funds--Television and political campaigns--BOE election of 1962--BOE election of 1966.</p>	
[Tape 12, Side B] . . . . .	496
<p style="padding-left: 40px;">BOE elections of 1966--1971 reapportionment of BOE--1981-1983 reapportionment of BOE--BOE election of 1970--BOE election of 1974--BOE election of 1978.</p>	
[Tape 13, Side A] . . . . .	515
<p style="padding-left: 40px;">BOE election of 1982--1981-1983 reapportionment--BOE elections of 1986--Reflections on contemporary politics--Transit district taxes.</p>	
[Tape 13, Side B] . . . . .	533
<p style="padding-left: 40px;">Mobile home taxation--Tax rate mapping program--Open space yield rate issue--Assessment rolls compliance program--BOE mission and personal tax policy--BOE administrative efficiency.</p>	
[Tape 14, Side A] . . . . .	553
<p style="padding-left: 40px;">Out-of-state audits and tax evasion--Comparative studies of tax policy--Inheritance, gift, and gasoline taxes--BOE and tax philosophy--Special interests and taxes--Need for tax study.</p>	
[Tape 14, Side B] . . . . .	572
<p style="padding-left: 40px;">Tax study proposals--Complexity of current taxes.</p>	

[Session 4, March 23, 1989]

[Begin Tape 9, Side A]

de GRAAF: Mr. Nevins, we left off just on the brink of the passage of Proposition 13, so what I'd like to do today first of all is to go through Proposition 13 and, particularly, the immediate aftermath of its passage. Now, briefly, I'll be reviewing. If you want to comment on any of these provisions, that might be good. The four that I pick out as really affecting California taxpayers were, first, the rollback of assessments and the freeze of 1 percent of the full market value as the limit that the property tax could be.

NEVINS: Let's first talk about the 1 percent rate limitation. The effective rate before Proposition 13 in California was a little over 3 percent, so you get a 66.67 percent reduction right there, with the rate reduction. That's very important. Furthermore, the only add-on you could have was to pay for the interest and retiring of the existing bonds, and there could be no more general obligation bonds at the local level. It did not forbid the state, but the state couldn't use property tax money to fund those bonds.

de GRAAF: Excuse me. There was an absolute ban? Even if a city had no bonded indebtedness, it could not incur any more bonded indebtedness?

NEVINS: Any more general obligation bonds. They could have revenue bonds with a two-thirds vote. That thing has been fought over quite a bit, and there have been court decisions since then that modified that somewhat. But that's the effect of Proposition 13, a revenue bond being a bond where you, like, have a parking structure and you take the revenue from the parking structure to pay the bond. Then, if you don't have enough money, you obligate the other revenues of the city. In the old days, the cheapest bonds, the ones with the lowest rates, were the ones where you gave the full force and credit of the city. All the property tax assets of the city were available to the bondholders to pay the bonds. Furthermore, the bondholders could raise the rate to get the money. I mean, that was the effect of the way general obligation bonds went in the past. That provision was rarely used, but it had been in the past. That was the major immediate financial effect to cities and to property owners, a two-thirds reduction in the tax, period, right there. But the more subtle one is the one that you mentioned first. That is the freeze. I think that the freeze--that is, rolling property tax assessments back to 1975--was the part of the measure that people voted for because they saw that, looking

downstream, they could predict what their property taxes were going to be, even though the value of their property increased substantially. This was a great sales factor in the passage of 13 as that provision became better known to people. Although there wasn't much about it in any of the campaign, the people sort of picked that one up. I think that was the final thing that put it over. There were, of course, the political errors made by Governor Brown in his opposition campaign, where he gave people the impression that he was going to fiddle with assessments in the final two or three weeks before the election. He met with the then L.A. County assessor, Alexander Pope, and this got out into the media and created a very bad impression of government. So people had a chance to vote against those in power at that time. Even though Brown was renominated for Democratic governor at that point, there was this chance for people to show their disfavor with those in government. I think the two things, the disfavor with people in government and the freeze, were probably the determining things in putting Proposition 13 over because, up until about six weeks before the election, it had been only getting 48 percent. I believe when the final count came in, it got just under two-thirds of the votes.

de GRAAF: Sixty-five percent. Another provision was that there was a limit of 2 percent, measured by the California Consumer Price

Index, on how much the property could increase. Now, I'm a little bit vague here. Was that a ceiling on the increase in assessed valuation?

NEVINS: You had to have two things there. One, you had to have a consumer price index increase of 2 percent. If it was up less than 2 percent, you put whatever it was. But if it was more than 2 percent, you put the 2 percent. I believe one year in the post-13 period it was less than 2 percent. I don't remember what the number was but it wasn't very much less; it was like 1.8 [percent] or something like that. But first you had to make a showing that it was more than 2 percent. Otherwise, you had to put on whatever it was. If it wasn't anything, why, you didn't put anything on.

de GRAAF: And this was an add on to assessed value?

NEVINS: This is an add on to assessed value. Instead of having the market value of the property, you had it related to this price index. I think it was well known by Californians that property values went up faster than the consumer price index. That was very appealing. It went right back to this thing where you could estimate what your taxes were going to be at any given time in the future, assuming you didn't make any major additions or something like that.

de GRAAF: I was also wondering what was the significance of a third feature, the ban on any new taxes on real property. The first question I pose, were any such different taxes on real property being considered around 1978 or maybe before?

NEVINS: They certainly were. There were taxes in some communities, a tax measured by the sale price of the property. In other words, you just had a tax, like 1 percent of the sales price was a kind of excise tax. I believe there were a number of cities that levied a tax like that, maybe not that high a rate. But this provision in the law outlawed those throughout the state. Of course, there was a federal excise tax like that, which, I believe, has been abolished but it was in force at the time. It was a very low rate, but there was a federal excise tax. It was measured by the part that wasn't subject to a loan. I believe that's the way it was. If you remember your deeds in the old days, they had those red stamps on them?

de GRAAF: Yes.

NEVINS: That's what we're talking about. It was a very oddly computed tax. I can't recall just what the rate was.

de GRAAF: Then, finally, there was that provision that the state legislature could not enact any type of new tax at all without a two-thirds vote of both houses?

NEVINS: That's right. The constitution, before that, had had a provision in it that a majority vote could raise taxes. The line of reasoning behind that was, the constitution as we had it in 1970 required that at budget time you had to have a balanced budget, and maybe the only way to balance the budget was to levy the tax. So what this provision said is, the

only way you can balance the budget is by cutting expenditures, unless you get the two-thirds vote. It takes a two-thirds vote to pass a budget, so, therefore, these two measures then went together.

de GRAAF: There was also a prohibition against any form of new local tax unless two-thirds of the electorate approved it.

NEVINS: That's right. Of course, there's been a big fight in the courts about what is a tax. In other words, if you levy a fee and the expenses connected with the fee use up all that money, that's not a tax. That was pretty much understood by the people who wrote this. That's what they were aiming at, that if you're going to support your building department, you could have building fees but all the money had to be devoted to the building department, like you would have inspections and all that stuff. But you couldn't use it to support the rest of the city government. Now, cities have fudged on that a little bit by having a factor in every budget that pays the rent, fixes the building up, pays the city manager, the overall administrative costs. I don't believe that has been contested by any of the pro-13 people.

de GRAAF: Were any of these provisions discussed by the Jarvis-Gann people with the State Board of Equalization or the bench or anybody else before the proposition was voted on?

NEVINS: The best information I've had--and I want to categorize it as poor information--is that this Proposition 13 was drafted in

a motel in Bellflower, California. There was, apparently, a meeting of people of like minds. The best information I have is that they told Howard Jarvis to beat it and wrote up the provisions incorporating some of his ideas and bringing in the new freeze ideas which had not been in before. The prior propositions that Howard Jarvis had submitted to the people had things like taxing churches and a whole bunch of stuff like that. Those did not get in this one. In other words, the people that fabricated this one got a politically viable package that did have sales appeal. Apparently, Howard adopted it afterwards. But he, as far as I know, really didn't understand all the provisions because he's never been able to explain them. Neither he nor anybody that ever drafted this proposition ever came to the Board [of Equalization] or the legislature to explain these provisions, ever, that we are aware of. I put it to the current person in the tax reduction movement, and he agrees that that is the right interpretation, that nobody ever did and nobody ever tried to.

de GRAAF: Did Paul Gann, to your best knowledge, try to explain [Proposition 13] to the board?

NEVINS: Gann, I believe, did try to testify to the legislature about the provisions of Proposition 13. Apparently, he only talked about one, and that was when you put the 2 percent on. He testified that you should probably start it in 1976. In

other words, you bound the property to the 1975 value. If it didn't change ownership, then you put the 2 percent on in 1976 and again in 1977 and, of course, in 1978, if it didn't change hands. If it changed ownership in any of those periods, you put the value on at that time. Howard Jarvis himself challenged that interpretation in court and lost.

de GRAAF: This amendment came out by early to mid-spring 1978. Did anybody on the state board try to make contact with these people to explain?

NEVINS: If they did, I'm not aware of it, and I think I would have been aware of it. I'm not sure the board ever came out against Proposition 13 but, certainly, at least three of the members were strongly opposed to it, of whom I was one. George Reilly, I think, favored it but didn't do anything about it. Cory, the controller, was kind of neutral. He had come from Orange County, and on things like this, he tended to hide, which was probably well advised. But, I believe, there were three votes against it.

de GRAAF: That would have been yourself, Sankey, and Bennett?

NEVINS: Yes. But I don't think we ever took a board position against it that I'm aware of.

de GRAAF: You did not write any statement for the ballot?

NEVINS: No, never. I didn't get a chance. I don't know who wrote the ballot arguments against it. At the beginning, it sounded so cuckoo that nobody really took it terribly

seriously. As you recall, the thing was, I think, drafted around November, and the circulation was in, like, December of 1977. It got on the ballot at the last minute, in, like, January of 1978. Keep in mind, this is the third one Howard Jarvis had brought up. I think a lot of us felt that it might not fly just because of that. If somebody else had done it, it might have flown; we would have taken it more seriously. But Howard had kind of a bad reputation with a lot of people, so we didn't take it really seriously. Now, the staff, fortunately, started when the campaign got going and they realized there was a chance it was going to pass. The staff got a work team together about six weeks before the election and went over every provision of it and tried to decide what codes had to be amended, what changes in our regulations would come about, how we would approach the assessors, what time frames we would have to use if the thing passed, how we would go about getting the roll out for the 1978-1979 fiscal year. They did an outstanding job on that and had a very extensive report which, I think, will show in the annual report.

de GRAAF: It did show in the annual report. The thing that struck me was the amount of effort that the staff seemed to put into preparing for the eventuality that Prop. 13 would pass versus the lack of any effort, apparently, to keep it from passing.

NEVINS: Actually, the staff are working for government and they're

almost expressly prevented from campaigning on an issue like this. You can't campaign on public money, on a public salary, against a thing like this. Now, elected people could. I could and, of course, did; but they couldn't. Remember, I was a candidate myself at that time, without opposition, so I was in a very neat position. I could do it. It's sort of odd that this thing was on the ballot and the Republicans didn't run anybody against me. It sort of shows they didn't take this very seriously either. See, Republicans, generally, at that time didn't like Jarvis. He was not a person that the Republican party thought was a good guy. When you see the Proposition 13 babies in the legislature, they were generally people who were not in tune with the then power structure of the Republican party and they remain sort of a separate little entity in the Republican party. They became a dominant group in the party but, at the time, they were considered weirdos. I believe we did not take a position on 13 at the time, as I recall, in deference to Mr. Reilly. We campaigned on our own against it. At least, I did. I believe Mrs. Sankey did, too. I want to tell you, that was not an unreasonable position. I mean, the L[os] A[ngeles] Times, the state chamber of commerce, the L.A. Chamber of Commerce, a whole lot of big thinkers were against Proposition 13. Their main reason for being opposed to it was that they felt local government will

NEVINS: just become a nothing if this happens, and we really don't think the state legislature's that great an organization. So it passes.

de GRAAF: My next question, actually, you presumed very well, and that is, prior to the election, most public officials and many prominent newspapers did seem to be critical of Proposition 13. Jerry Brown certainly was and, I believe, George Deukmejian, who was in the legislature, was also opposed to it.

NEVINS: I believe he opposed it, yes. A lot of the Republicans in the legislature opposed it because they were local-government-oriented people and they realized, gee, we're going to get a whole bunch of stuff we really don't want to handle at this level of government.

de GRAAF: Can you recall any prominent state official who came out in favor of it before the election?

NEVINS: I don't remember a prominent one, but there were quite a few that did. I believe a number of legislators did. I believe the Republicans on the L.A. County Board of Supervisors did. I can't remember just who the Republicans were at that time. [Michael] Antonovich, of course, wasn't on at that time. But it seems to me there were a couple of Republicans, and they came out for it. A lot of city council people came out for it in a lot of cities in L.A. County. I think they thought it was a popular thing to do. They didn't think it was going

to pass, and they thought, well, I can come out as a low tax person. I don't think they really believed in it, but they came out for it anyway.

de GRAAF: Besides the feeling that this would kill local government, what were the other major arguments against 13 before the June election?

NEVINS: I think there were a lot of people out there that felt that Californians as a group liked a rather expensive, Cadillac-type government and wanted public services. They wanted attractive schools; they wanted a whole lot of parks and highways, everything that government buys. The people who were providers of that and the people who were associated with these different schemes opposed Proposition 13 because they realized that that would bring all this to an abrupt halt. So there was that group of people that opposed Proposition 13. Somehow they never had a really well-organized campaign. I think one of the reasons there wasn't a very well-organized campaign was that nobody thought a crazy thing like this was really going to pass if the big newspapers and the chambers [of commerce] and people like that came out against it. Unless some major force in California came out for it, they just didn't see how it was going to pass. I think that was one of the problems right along. Looking backwards, you can see all the things that went wrong. But at the time, it just didn't look like this

was it. Remember, afterwards we defeated a whole bunch of Jarvis's things because they did take them seriously and they did have organized campaigns against them and beat them. The only things that passed afterwards were ones where the business groups got on their side, like the Gann [spending] initiative.<sup>1</sup> That had a lot of business support. So you can see that the people weren't totally unrealistic about their position.

de GRAAF: That helps to explain my next question, and that is the abrupt about-face that a great many officials made. I mean, Jerry Brown seems to be symptomatic of a lot of politicians. As soon as Prop. 13 passed, they immediately embrace it, and I have to contrast that with the reaction to the recent Prop. 103, where the Deukmejian administration at best is being very cool toward it and maybe even trying to subvert it.

NEVINS: Don't forget that Proposition 13 passed almost 2 to 1. That was overwhelming. I think most people that had been associated with government realized there had been a laxity of expenditure control at the local level. I mean, I was very much aware of that and a lot of other people were. I think they just realized that, in California, this was the end of that, so you had to do something different and you had

---

1. Proposition 4, Limitation of Government Appropriations, Initiative Constitutional Amendment, was approved in a special statewide election, November 1979.

position yourself as a politician differently than you had before. The years of Pat Brown type expenditures were over. So I think you didn't have much choice, I mean, if you wanted to stay in politics.

de GRAAF: I'd like to go into some of the specific impacts. You've already commented on the tax loss. You've given it a little different figure. You said that the mere change from a 3 percent operational rate to a 1 percent would have meant about a two-thirds reduction, but the annual report says that property tax lost nearly \$6 billion, which represented a 56 percent drop.

NEVINS: Don't forget that California was growing a lot at this time, so you had lots of new properties coming on. There was a lot of growth. It's the thing that's hard to look back on. If you just had things stand steady, then you would have had this number that I'm talking about. Then, of course, downstream from this, they then exempted business inventories. I believe in 1979 or 1980, those were exempted, so there was quite a drop. Of course, there were funding all this with this surplus, which we haven't discussed very thoroughly yet.

de GRAAF: I want to get into that, too. You said your staff had already gone over the proposition, figured out how it would affect legislation, and begun to change their policies.

NEVINS: They had proposals. So what happened was, the thing passed

on a Tuesday. So the board met on Thursday. We flew to Sacramento and authorized our staff to make these rule changes--the board has constitutional power and, at that time, there was no restriction by the legislature--to implement the thing, to instruct the assessors on what needed to be done. We also needed to have some things done legislatively, so we immediately took steps to advise the legislature on what needed to be done. The legislature was terribly receptive to it. What they did is to appoint a joint Revenue and Taxation Committee. I think it was a senate bill, actually, although usually tax bills come from the assembly. They had regular meetings, like every other day, for about the next thirty days on things that could be added to this bill.<sup>1</sup> The authors were the hard-nosed type that wouldn't accept cuckoo. This bill just got public interest up; it didn't get a lot of lobbyist baloney in it. It was later, after this period, that the bills started getting funny money in, but at that time, this bill did not get that. This bill got serious stuff, like postponing the day the rolls had to be turned over. It told the board it got specific authority to make forms, and a whole lot of other things had to be done in order to get the roll up.

---

1. In the three weeks between the election and Proposition 13 taking effect (July 1, 1978), the legislature passed S.B. 154, 2212, and 1571, 1978 Reg. Sess., Cal. Stat., ch. 292, 332, and 353, respectively, to define vague aspects of the proposition.

de GRAAF: The Jarvis draft of Proposition 13 did specify that it immediately took effect, didn't it?

NEVINS: Yes. But, of course, the property tax year was over effectively by the time this passed, because the last payments had been due on April 10. So they were past due, and this didn't change any of that. What it did do is say that for the next roll, the one that began on July 1, the same as the state property tax this fiscal year, what you had to do is, first, figure out what was the value that you were going to put on property. [The assessors had to make a decision whether to put the value on the 1978 roll that they used in 1975, assuming no ownership change or new construction; or put the correct value for 1975 if, for instance, a five-year cycle reappraisal completed in 1976 or 1977 showed higher value should have been used in 1975; or compute a value for 1975 based on a reappraisal made in 1978 that would have been enrolled. Most assessors used a value very close to what had been enrolled in 1975. I favored using the 1975 value because all the time-to-file appeals on that value had expired. Enrolling any other value for 1978 invited an appeal, especially one that had been made in an arbitrary way. Los Angeles County enrolled 1975 values on properties that had been reappraised that year and arbitrary adjustments on all other properties. Naturally, there was an avalanche of appeals even though the values were very low.

Nineteen seventy-five was the year when the previous L.A. [County] assessor, Philip Watson, had lost his nerve. He was afraid to recognize the big increases his staff found in the field. In particular, he did not enroll the correct high values in the beach areas. The authors of Proposition 13 were well aware that 1975 was a great year to pick; few reappraisals in L.A. County and the starting point for steep increases in real property values statewide. Some counties had unique problems: Orange County reappraised every residential property every year beginning about 1970. Orange County then disposed of all the sales data at the end of each year and started anew. The county could not explain any of its 1975 values in 1978.]\* And second, how would you extend the rate? How were you going to deal with these provisions on when the 2 percent was going on? [The correct bond rate had to be added to the 1 percent wherever it applied. One or two counties did not initially levy the full 1 percent tax. Normally, the county auditor-controller does this work. The assessors were more involved in 1978 and 1979 on rate problems than they had been in the past.]\* We first did it, as I recall, by regulation, and that was put in this bill, so it followed the board's regulation. I don't know, there were

---

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

NEVINS: a raft of things on what "new construction" was and we separated homes, residential property, from business property so that there were a different set of rules that applied. We were very lenient on homes in that one of the big criticisms of the property tax in the pre-Proposition 13 time is that when you remodeled your home, you immediately got a big tax increase. A lot of people thought that that prevented people from remodeling their homes. I think that's sort of a silly argument, but that's a fact you have to deal with. So we tried to say that you could repaint a house, you could put a new roof on, you could repair the plumbing, you could redecorate rooms, you could even change plumbing fixtures and stuff like that, and that would not be "new construction" for Proposition 13 purposes. I think we said if you increase the area of the house, that would make a taxable increase. Or if you changed the use of it, if you took a house and converted it into an office, then that would be a taxable increase. People seemed to accept that; we've never had any criticism from that.

de GRAAF: Before Proposition 13, these fine points of what "new construction," "change of ownership" meant had not been the subject of tax policy?

NEVINS: It had not had anything to do with it at all. The only thing that "change of ownership" had, it usually had a sale, and that became an indicator of what the market value of the

property was in the area that it was located. But you didn't look at new construction. Basically, new construction doesn't always increase value. But if you took the rule that we used, it could increase value. I'll try to state the rule as I recall it. We said the way you tell whether new construction increased value is, you look at the value of the property before the new construction. This is regardless of what it was valued on the roll at. Then, you look at the value after the construction. If there was an increase, then that's the net that you added on to the Proposition 13 value. Because new construction doesn't necessarily add value. A lot of people don't understand that, but people in the construction business and in the real estate business understand that, that sometimes you have overimprovement, sometimes the improvement that you put in has to be done to keep the value, that if you don't put it in, the value will drop. Fixing chimneys after the earthquake is a good example. And rewiring and putting new pipes in a house as a rule doesn't add a nickel to the value. People assume that it has all that. But you might spend \$10,000, \$15,000 putting new copper pipes in your house, you go to sell the house and the person looks at you and his eyes glaze over. He just assumes that you've got a house that's in working shape. Or you put in the proper wiring. You don't gain anything on that.

de GRAAF: So the rules that were passed in the wake of Prop. 13 basically exempted this sort of . . .

NEVINS: For homes, we said, even if it did increase the value--like repainting does increase the value of a house, generally--that that would not be an increase in value for property tax purposes after the passage of 13. We were quite lenient on that and we felt that this would make this more bearable, because we knew that increasing value for new construction and sales were going to cause a lot of problems. The legislature really didn't enter legislatively into "new construction" much. I think if you look at the code even today, there are very few provisions about "new construction." Now, the places that there are a lot of statutory laws are on what is and what isn't a sale. The only measure that we as board members said is that if a property changed hands on husband and wife as joint tenants, like the wife dies and the husband gets the house, that that wasn't a "change of ownership." The legislature just came in with a raft of transactions that said this isn't a "change in value" for property tax purposes, and some of them, I think, are sort of ludicrous. One of the ones that I really felt was ridiculous is the one where, if you create one of these living trusts and you put your house in the trust, the creation of the trust is not a change of ownership. You have the change of ownership at the end of the trust. I said,

"What's going to happen on this thing is, you put it in this trust and then, like ten or fifteen years from now, take it out of the trust, the new owners are going to get really zapped." I asked a lawyer, "Why do you do this?" We were only talking about increasing taxes \$200 or \$300 on the typical house at that time. The guy says, "They're not going to pay the fees up front. This'll stop the transaction. I'll lose my fee for doing this." It seemed to me one of the advantages of doing these things is you would lock in the low value at the time you create a trust and then you wouldn't get it down at the end. But that's not how it works. There were quite a few other laws. I think divorces didn't create a change of ownership. In other words, if the husband or the wife got the house, that didn't create a change of ownership because they usually end up selling it anyway. But there were quite a few of these things that came about.

de GRAAF: I want to get into some of these legal things a little bit later. I'm setting up some of the immediate impact.

NEVINS: We did these by regulation in the three or four weeks after. We published them and did all the things we were supposed to do. We really didn't have much bad public reaction to any of our regulations. I think the people were quite supportive. The only one I got the flak on was this trust business.

de GRAAF: It might be a good place to clarify exactly how the board works on these regulations. I imagine the majority of these regulations are drafted by the staff?

NEVINS: Right.

de GRAAF: Do they all have to be voted on by the board?

NEVINS: You bet, though, it became quite an issue later on. When I first came to the board, and we're talking about 1959, the board had in place quite a few regulations. A lot of them had been adopted in the thirties, and Supreme Court Justice Traynor had drafted them and they had been adopted by the board. But the business tax, the sales tax regulations, had gotten out of date, and the staff had got in the position of issuing what they called business tax bulletins. If you go back and look in the tax literature of that time and the codes, you'll see mention of business tax bulletins. They promulgated these without the vote of the board. They had the force of law. For some reason, the lawyers in those days went along with it. I felt that these measures did not have any public input into them. What happened was, the staff would get together with the lobbyists in Sacramento, and a couple of lawyers that were interested in this said, "We can draft a business tax bulletin," and then they would promulgate them. It would be signed by Harry Say or somebody. "Say" is spelled S-A-Y, just to confuse you. Then, that would be the board's position, but it was never voted on by the board.

de GRAAF: Harry Say was whom?

NEVINS: He was a sales tax administrator. I felt that this was a bum

deal and that what the board should do is by regulation adopt all the sales tax bulletins and bring them all up to date. I believe we started on that about 1963 or 1964, just about the time Dixwell [Pierce] left, and it took us about ten years to get the majority--like, 95 percent--of the sales tax, business tax bulletins into regulation form. We developed a very rational approach and got a section in the administrative code and all that stuff, and did a good job. I think most people really appreciated it.

de GRAAF: Let me go back just a minute here. In the forties and so forth, when these bulletins were being put out, did California not have its Notices Register where all regulations were printed beforehand?

NEVINS: Yes, it did, but these weren't in them. [Laughter] You got it. That's the point. So we started a regulatory process where you had to give notice. We made a big effort to send out the advance copies of the regulations to everybody we knew was interested in them. We published them in the legal journals and did all the stuff we were supposed to do. I think getting our business tax bulletins and all the other board procedures in regulation form was a substantial advance in what I call due process. In other words, you didn't have to have some special connection with the board to find out what we were doing. We're now talking about sales taxes, primarily, because there weren't that many property tax

regulations in force. There always had been some on forms getting the roll out and stuff like that, but there hadn't been that many. So what happened, we had this history of having business tax regulations promulgated in a reasonable and rational way. All of a sudden, after 13, boy, this horde of property tax ones came out. Of course, we had to get another section of law for that. But we were used to it; we knew how to do it.

de GRAAF: This must have meant very frequent meetings in the weeks after Prop. 13.

NEVINS: We had a lot, there's no question about that. But you have to give a lot of notice for regulations, so you just don't pick a day. We adopted a few on an emergency basis. You have to get the governor's and the legislature's OK, but they gave it to us. We didn't adopt too many but we adopted a few on an emergency basis. Then, we went back and had the hearings and all that stuff. But most of the regulations on 13 were adopted without going on an emergency basis.

de GRAAF: You didn't have anybody from the Jarvis-Gann campaign ever appear before you?

NEVINS: Never appeared before us. I believe Gann once appeared in early July before this committee in the legislature, talking about the 2 percent thing. He also wrote the legislature a letter on that--never wrote us--and that letter was denied by Jarvis at the hearing which was held in Santa Clara and San

Mateo counties [in] 1982, 1983, somewhere along in there. It was quite a long time after Proposition 13. I think the significant thing is that the board and the staff really got used to working very closely together on the regulations on Prop. 13. A lot of the members had never really paid much attention to this stuff. After Proposition 13, they were very attuned to what was going on. I think we made Proposition 13 work administratively very well. I think the process we used, the attitude we had, made what could have been a catastrophic measure work. I think it was a credit to not only our staff but city managers, particularly, and budget officials, generally, throughout the state. They were able to really adapt to this thing which had this drastic drop in revenue. It was really surprising.

[End Tape 9, Side A]

[Begin Tape 9, Side B]

de GRAAF: One irony I see in all this staff work that you've talked about is that you and, as you said, a majority of the board, were opposed to Prop. 13, felt that it would have rather disastrous effects. Yet, here you are helping to make it work.

NEVINS: You swear to uphold the constitution. That's one of your oaths of office, so when the law's changed, your job is to make it fly.

de GRAAF: Do you recall that there was a feeling on the part of the board after 13 passed that you might be able to work around it short range?

- NEVINS: No. I felt maybe in five to six years the people might get tired of it. I found I was wrong on that, that even though we're now eleven years downstream from it, it's still very popular. I'd say it's highly unlikely that any major changes are going to be made in the reasonable, foreseeable future.
- de GRAAF: Did you or any others on the board forecast that, after a certain number of years, if this weren't changed, there would be fiscal disaster?
- NEVINS: No, because the state still had the power to levy taxes. We didn't have the Gann [limitations on appropriations] initiative at that time. The state has virtually absolute right to raise taxes. The local governments in the state would differ from what they had in the past, you'd have a substantial loss in local control, which you do have.
- de GRAAF: One other thing that struck me is that right after Prop. 13 passed, in some respects, the legislature seemed to make the revenue situation even worse. I'd like you to comment on some of these other things that were passed shortly after. One was called Assembly Bill 3802.<sup>1</sup> It was a rebate of \$675 million from the state income tax back to the public. What was the logic of passing that right after Prop. 13 had so drastically cut revenues?

---

1. Enacted as A.B. 3802, 1978 Reg. Sess., Cal. Stat., ch. 569.

NEVINS: I think you have to go the surplus issue, which we haven't really discussed.

de GRAAF: OK, let's go to that, then.

NEVINS: I think while Proposition 13 was going to the people in the spring of 1978, there was a feeling--and I don't remember having ever had any numbers shoved in front of me--that we were going to have a surplus in the budget of about \$1.3 billion to \$1.5 billion at the end of the fiscal year that we were then in. I think, as we got near the election, a couple of officials began to realize that this was gross underestimation of the budget surplus, and one of those people was Jesse Unruh. I think he was aghast. He began to see more a number like \$4 billion or \$5 billion, which would have made a very substantial difference in how things worked out. It was only after the passage of 13 that we learned there was a so-called \$8 billion or whatever the very large number was. I think it was known by some of Brown's own staff in the Department of Finance that the surplus would be that big. As I mentioned earlier, it was the feeling of some political types that Brown knew there was going to be a surplus and wanted to use it as a gimmick to run for president. Proposition 13 put an end to that. He had to commit all the money to take care of local government and it sort of knocked out his grand scheme. That's my feeling. I've never really talked to him about it. I don't think he'd admit it today, but that's what I think he had in mind.

de GRAAF: So this \$675 million rebate was a reaction to this belated discovery.

NEVINS: It was one of the things that the legislature did, along with the business inventory which came about at a later date.<sup>1</sup> What do you call it when you factor the rates down on the state income tax? Indexation, that's what it is. The bills on that came up at that time. I think there was, first, one indexation measure passed, and then a second one came on.<sup>2</sup> The Republicans supported those very strongly. Those measures were very popular in counties like the county of Orange, where you live. So they carried those. The Democrats sort of went along with them because they couldn't think of a good reason not to go along. Here we had all this excess revenue.

de GRAAF: Wasn't somebody, by this time, saying, "Hey, this excess revenue is needed to bail out local government and schools"?

NEVINS: What happened was that the legislature and the then Governor Jerry Brown, said, "OK, we're going to work out a program so that we'll go for the next three or four years, and then that's it." Let's go back to one other thing about Proposition 13. There were the cold turkey advocates, and I

---

1. The business inventory tax was repealed by A.B. 66, 1979 Reg. Sess., Cal. Stat., ch. 1150.

2. The policy of indexing the personal income tax was enacted in 1979 in A.B. 276, 1979-1980 Reg. Sess., Cal. Stat., ch. 1198.

was leaning to that: "We'll just cut government expenses right now and rebate all the taxes and just use up all the surplus on a one-time rebate, and then we'll just run government permanently at the lower amount." The people voted for that.

de GRAAF: Were there thoughts that after a few years, the people would change their mind about 13?

NEVINS: That was Nevins's theory, that they voted for it, why not give them what they voted for? Well, cooler heads prevailed, let's just put it that way. We ameliorated the effects of the tax reduction and, I think, politically, looking backwards, that was obviously the right way to go because the people would have felt we were doing funny things to them if we had really "cold turkeyed" them and given them a rebate and had the new level of government right off. I don't think that would have made any sense politically, although, intellectually it sounded like a great thing. So we didn't do that, although some Proposition 13 proponents spoke against that; they did. They thought we should rebate it.

de GRAAF: They were willing, also, to risk . . .

NEVINS: They just thought there was too much government. There are always a bunch of people out there that think there's too much government. We've had that from day one; the day we started the country, we had that. But I don't think it had any major support.

de GRAAF: Finally, another action the legislature took in 1978, doubling the tax credits on the income tax that would also be seen as a reaction to the discovery of this surplus?<sup>1</sup>

NEVINS: Right.

de GRAAF: Aside from the Nevins "cold turkey" view, did the state board in any way comment or take any position on these various measures? I realize they dealt with income tax and general fund, mostly.

NEVINS: We did not. Those are legislative reactions.

de GRAAF: I'd like to talk about what strikes me, in principle, as the impact that Proposition 13 had on all of the preceding property tax policies. In essence, did it not just about completely undo A.B. 80?

NEVINS: An awful lot of it. I think if we hadn't A.B. 80 that the base that was used for Proposition 13 would have been grossly defective. As it was, a lot of counties had relatively up-to-date property tax bases. There were a few counties that didn't, San Luis Obispo being one. But in most counties, the roll was reasonably current and reasonably in equalization to the different kinds of property--industrial, commercial, residential. There was some kind of balance, and this had been brought about by the passage of A.B. 80. If we

---

1. A.B. 1151, 1979 Reg. Sess., Cal. Stat., ch. 1207.

hadn't had it, this measure would have exacerbated the inequalities and even worse. I mean, some people would have been paying practically no taxes and have very valuable property for the sole reason that they were underassessed. This did happen in San Luis Obispo County, there's no question about that. This is a county where, at that time, the nuclear plant was under construction, and the value of that plant about equalled all the other value in the county. That's the way the assessor had it. Half the county revenue came from the nuclear plant, and he was able to keep raising its value. One of the things that was before the board before 13 was an equalization order against San Luis Obispo County. I couldn't get a majority on that. I had one vote the whole time besides mine. But Bennett went with Reilly on that one. That was in Reilly's district at the time, and he didn't want to issue the order. In other words, there was a real conflict in the county of San Luis Obispo about what people wanted the board to do. The assessor was the one that got to Reilly on that but the board of supervisors really wanted the board to put the equalization order in and raise the values. Then, they felt, after that they could blame the board and then get the roll cleaned up. The board of supervisors' position never really got to the Board of Equalization. I made a lot of phone calls and I could never really smoke it out. I got it secondhand through some staff

NEVINS: people. I was trying to find out, was there any real support for this position? There really wasn't, so the order was never given. So when we went into 13, it was the nuclear plant that was assessed by the board that was carrying the property tax load in that county. That county's had so much growth since then that I'm sure that a lot of this hocus-pocus has gone by the way and no one even noticed it.

de GRAAF: But the thing that strikes me is that for years the board had been trying to make taxation more fair, more equal, and then comes Jarvis, and equalization went totally by the board.

NEVINS: It was hard on me. It sort of undid what I considered my life's work on the board to a very substantial degree, there's no question about that.

de GRAAF: Was there an effort after the passage of 13 by the board to make this statement of principle?

NEVINS: No. We realized that Proposition 13 was so popular with the people. I think if it had been voted on again two months later, it probably would have got 90 percent of the vote. I talked to a lot of business people after 13 who voted against it who said, "Gee, I think it's great." So it became more popular rather than less popular. I think the surplus thing was a big reason. That meant that here you had all this money out there and you didn't have to have taxes anymore.

de GRAAF: Did the belated discovery of this surplus also tend to increase the public's distrust of government or, at least, the Brown administration.

NEVINS: It certainly did. That's why I thought that Evelle Younger would be elected governor. Evelle had to be an artist not to get elected, and he was such an artist and didn't get elected. I think my comment on that is that he took absolutely no part in the effort to make Proposition 13 effective. I think he had actually campaigned against it. Not very seriously, but he hadn't supported it. Then, he left the state on a vacation in June, when Brown and the legislators were working like tigers to put this thing in place, leaving no words of wisdom. I think he thought that they would all fall on their heads. If you recall, the legislature went home in June with their budget in place and their plan on how they were going to do all this stuff. Brown went on television, and my understanding was that he had a couple of little pieces of paper in his hand and he had a little exhibit on the wall that somebody had made. That was all the preparation there was. He went on television. This is where you can show where high intelligence pays off. A 190 IQ has a real value at times. He gave such a masterful description of what he had done to put Proposition 13 in place that I think from that day on Evelle Younger was out of it. He played no role in it whereas Jerry can point to his role. I remember I watched that show. I was dumbfounded how well Jerry handled himself because Jerry knew his political life was at stake and he was doing his job as governor, and

when you get that combination, you've got to do good; he did. I think that somebody who wants to see what a tour de force in government is should replay that TV [program], because that's something. That's somebody who knew what he was doing, doing it.

de GRAAF: Do you recall the date that he gave that?

NEVINS: Like June 30, maybe July 1, because the legislature had gone home, so it must have been on July 1. It was a Friday night or something like that. I remember it. Everybody had been up all night. He went on, as I remember, about 5 o'clock in the afternoon. It was prime time. My understanding [is], he had no staff work, none of this business where you have it all prepared. He knew how much time he had and he had enough self-discipline. When Jerry wanted to be self-disciplined, he could do all that. You don't have to worry about that. We could never get him tuned in; that was the problem. [Laughter] That has to be one of the great staged television performances in the history of the state, and there will be a long time before there will be another one like that.

de GRAAF: In fact, as you mentioned, the 1978 election was rather strange in many respects, considering what the Republicans or conservative forces in general might have made. Now, you were reelected, you said, without opposition. Do you feel Proposition 13 played any role in Dronenburg's victory over Sankey?

NEVINS: To some degree, yes. Sankey was a hopeless candidate for the office. She was the mistress, as it now turns out, of Jim Mills, the pro tempore leader of the senate.

de GRAAF: Was that widely known then or even now?

NEVINS: It wasn't widely known at that time. I didn't know it and I got to know her very well. But apparently it was known by the governor and by the close leadership of the senate; they knew about it and brought about this constitutional amendment where the senate had to approve the people that got appointed to constitutional offices.<sup>1</sup>

de GRAAF: Oh. As a direct result of this case?

NEVINS: That's a direct result. I mean, Deukmejian can thank Iris Sankey and Jim Mills for his problems with his treasurer appointment. Before that, you didn't get them confirmed by the senate. She was not qualified for the job. She was a very nice person, and we needed somebody like her on the board on a personality basis because we were fighting so much with each other. She provided a neutral, pleasant atmosphere that helped the board get its work done better after she got in. Her role in doing that was very important. But she was not able to organize a campaign that amounted to anything.

---

1. A.C.A. 94, 1975-1976 Reg. Sess., Cal. Stat. r. ch. 58 was approved by Proposition 9, November 1976, by a vote of 4.4 million to 2.68 million.

She didn't really understand what was necessary in a district that was, essentially, a Republican district. I was almost handed that district and I had to work like a tiger to get out. We didn't go through the reapportionment bills, but I ended up with the absolute power, after a lot of pushing and shoving, to reapportion my own district. Now, get that word, "absolute power."

de GRAAF: Was this referring to the first reapportionment in 1971?

NEVINS: And the second one.

de GRAAF: The one in 1983?

NEVINS: You bet. I got in a position because I had a person in the right place who finally came to my rescue. We pulled it out in a two-day period, and I ended up with a Democratic district. But the other board members had a district where I would have had a district substantially like Mrs. Sankey's. I would have had to move to Orange County and look like a Republican for the rest of my life. It was not my idea of a good time. I would have to move from the house we're in now. I really didn't want to do that. So I campaigned to have a Democratic district made in southern California and I won. We would have had to divide L.A. up into three districts, and it would have looked awful on the map. The way we did it, it looked good on the map, we thought.

[Laughter] You asked me about, could she have been reelected? Proposition 13 didn't help her, but she probably

wouldn't have been reelected anyway because the district was so vulnerable and the Republicans recognized that. They had a wild primary. Dronenburg was not the choice of the Republican regulars. They had an airline pilot whose eyes were failing as the candidate from Orange County. He had been on the assessment appeals board there. He, apparently, was one of these people who thought they were going to take care of my campaign for me, so I won't campaign. Dronenburg had nothing to lose by campaigning, and he was a board employee.

de GRAAF: I was going to say, was he not the first board staff employee to ever become a member?

NEVINS: He was an auditor 3, not a very good one, I'm sorry to report. He had misused his time on the board. That is, he had misused the board's time building a house for himself and was in the doghouse with the leadership of the office down there in San Diego where he worked. The way he won is, he went out and got Tulare, Fresno, and Kern counties, the women's Republican clubs there, to support him. Apparently, what happened is, he won those counties by enough to offset his loss in Orange County and some of the other counties in southern California. Keeping in mind that there were at least four candidates. He nudged out this fellow.

de GRAAF: But he wasn't a conspicuous Prop. 13-oriented candidate.

NEVINS: I think he had supported 13, but he didn't have a big enough

campaign where you could see it. It didn't have anything to do with the passage of 13.

de GRAAF: You've already answered, to some extent, my next question but I'm going to tie it in with a court case. The State Board of Equalization did not, in the wake of the victory of 13, suggest to Brown or the attorney general or anyone else that you might delay or try to nullify that proposition?

NEVINS: No way. Let's go back to the foundation of the thing. The states have virtually absolute power to levy taxes. They derive this from the power the king of England and the parliament of England had. You look at the constitution, you'll see that those powers reside there. When it became a part of the United States, the state gave up these inherent powers. You gain something, you give up something--foreign affairs, money, right to raise an army. But on taxing power, the states retain the absolute power to raise taxes. Remember that, absolute power. Then, you have the federal restrictions on taxation that were brought about by the courts of the United States, and they were primarily in the area of domestic and foreign commerce. You can't levy a tax that doesn't fall on your people and just on commerce between the states. That was one of the first major John Marshall decisions. You can't levy a tax that's forbidden by a treaty because a treaty is the supreme law of the land. After you've gotten through those minor restrictions, you can get

anything you want. The U.S. Supreme Court has had very few decisions involving property taxes. The major ones involve railroads and, generally speaking, if the state had a rational scheme for taxing railroads and didn't tax their property outside their state, then the courts have upheld that. There are a number of cases on that issue. Those are virtually the only property tax cases there are in the United States Supreme Court and, of course, we were very much aware of that. There are no major cases to this day involving the issue of whether you had value A on property B that was identical to A, but A paid less tax.

de GRAAF: In other words, the supreme court has never had an equalization case?

NEVINS: Never had an equalization case. Now, it has the one on West Virginia right now.<sup>1</sup> The interesting thing about that one is that that was administrative. There's no statute that put the West Virginia assessor into that position; he just did it. In other words, when the new coal mine would come in, he put the new value on it but the old coal mine he didn't change. So that is not a statutory scheme. In California, you have a statutory scheme and it's voted in by two-thirds of the people. So the United States Supreme Court is going

---

1. *Allegheny Pittsburg Coal Company v. Webster County, West Virginia*, 102 LEd 2d 472 (1989).

to have a hard time trying to find a provision of the United States Constitution that says you can't do that. They're going to go in, I presume, on the basis of equal protection; that would be the main one to use on Proposition 13.

de GRAAF: That's what I want to get to because there was, as you recall, one effort to take that position against 13, and that was the Amador Valley Joint Union High School District versus your State Board of Equalization case.<sup>1</sup> It must have come up just a few weeks or a month or so afterwards.

NEVINS: I felt that the court should have acted much faster. Let's keep in mind, the court knew enough of the law so they didn't have to have all this crap. I don't think the decision came out until September. If I had been the chief justice, I would have called up the attorney general of California on the phone. I would say, "Send your briefs in and get them here in a week so we can rule on the constitutionality of this, and we can do it without a case." They can have the attorney general bring the action and they can rule on it. They can do lots of stuff they don't do. But this is one where they should have just ruled on it. Obviously, it was

---

1. 22 Cal 3d 208 (1978). This case challenged the constitutionality of Proposition 13 on the grounds that reassessment upon change of ownership would create disparities in tax burdens for identical property and then would deny some persons equal protection of the law. The [California] State Supreme Court rejected the argument and thus upheld the constitutionality of Proposition 13.

constitutional. There wasn't any question in my mind about that. None of our lawyers felt it was unconstitutional.

de GRAAF: That's what I wanted to get to because Rose Bird argued otherwise.

NEVINS: Rose Bird went out of her way, and I don't see why she did that. There was not much there to take that position with. She could have said it created this unequal thing, but there's nothing in the law that says the state can't do it. We, essentially, have to turn to the U.S. Constitution.

de GRAAF: Because I was surprised that, apparently, she was all by herself in taking the view that the inequity of assessed value [between pre-1975 and post-1975 ownership] was unconstitutional.

NEVINS: That didn't help her in her later elections, but I don't think it had great effect at the time. There were people who surmised about the equal protection thing, there were some federal provisions that would knock it out. There's nothing there. There are no cases in the federal courts that deal with this issue at all in the way that you're talking about. There just aren't any.

de GRAAF: I was curious. Just for the record, I'd like to follow through. Did either the attorney general or anybody else get in contact with the board and ask your opinion on the legality of 13 if it passed?

NEVINS: Let's try to discuss how the attorney general works with the

board. The board, as you know, has a staff of its own lawyers. What happens normally is that somebody sues the board, and then we're defended by the attorney general. The facts are that we prepare the case for the attorney general and hand it to their attorney. At that particular time, there were one or two attorneys with the attorney general's office that we had dealt with continuously on property tax litigation. There have been lots of property tax cases, not of the magnitude of this one. So we had a good working relationship with the attorney general, and we already worked on these briefs. If the chief justice had ordered the attorney general into the court with his briefs on why she shouldn't uphold this law, she knew that he already had all this stuff from us. That's the way it works. She had been in the government; she knew how it worked. You don't have to sit around and tell these people how it works. You guys all know Stanley Mosk. He was the attorney general of California; he was a superior court judge. They know all this stuff. They can move just like that if they want to. I think the public welfare demanded a rapid decision by the court that this was a valid measure and that government should proceed under it and there shouldn't be any doubt in anybody's mind that we weren't going to go ahead on it. By not acting quickly, they gave somebody the thought, well, we're not going to go ahead. But I think most legislators,

NEVINS: certainly the governor, knew it was legal and there wasn't any problem. I don't think anybody could visualize how the court could act to invalidate it. And the same thing applies to [Proposition] 103, so don't worry about it. It's a valid measure.

de GRAAF: But look at how long this has been hung up. I mean, the insurance companies are raising [rates].

NEVINS: Well, the court shouldn't delay it. Then it starts to become the government and the court isn't equipped to be the government.

de GRAAF: I really did not want to get into insurance but just using 103 as a parallel, I wonder why Rose Bird was, in effect, all by herself.

NEVINS: I think Rose was in error. I think she opposed it emotionally and was hoping in her own mind to find somebody that would come along and say that it's unconstitutional. But it just wasn't there.

de GRAAF: All of your legal staff and the attorney general's all felt that . . .

NEVINS: There was nothing in it that a state couldn't do. Historically, you could do things like this. Nobody's ever actually done it, but other states had rate limitations. There's nothing new about that. Oregon, Washington, lots of states have rate limitations. Already there were in California. . . . You were talking about open space. There

were lots of special assessment provisions in counties, and lots of states have those. Nothing new about them; that's not a new thing.

de GRAAF: So in other words, there was a precedent for unequitable assessment.

NEVINS: Oh, yes. Sure.

de GRAAF: The last shot I'll take at this, though, comes from your own 1978-1979 annual report. This graph was put out to show how four different houses which pre-13 had all been of identical value could, right after Proposition 13, have a 2 [to 1] or 3 to 1 difference in appraisal. It suggests that the board already was very concerned about the potential for unequal assessment.

NEVINS: Yes, it was.

de GRAAF: And yet, this concern never translated into any effort to try to declare that part of Prop. 13 unconstitutional or challenge it from a legal standpoint.

NEVINS: It wasn't unconstitutional. There's nothing new about that. I told you that we already had open space, golf courses, charitable property. There's a lot of dramatic differences in the way different kinds of property are assessed. Exemptions can be made, and when you exempt it, you don't tax it at all. Our own constitution permitted the legislature to tax personal property any way it chose, so it could exempt it or tax it or double tax it or anything it wanted to do. We're talking about personal property.

de GRAAF: I guess I'm just puzzled about why your annual report would so graphically portray the potential for inequality.

NEVINS: We were trying to show people what the problem was and that this could happen rather rapidly, and it did. But people accepted that, so that was that. We had done our thing.

de GRAAF: There was another aspect you wanted to bring up, assessors' letters.

NEVINS: I don't know whether that shows in our annual reports, but over a period of maybe four or five years, the board issued about 200, maybe more, letters to the assessors. What the purpose of these was, they almost were regulations the way they were issued, not quite. What we were trying to do is to make the application of Proposition 13 uniform throughout the state. So what our staff did was, they went around to a lot of the different assessors' offices and found out how assessors were meeting specific problems. If it seemed like a good scheme, then they wrote up this letter which was sent to all the other assessors so that they could make use of this system. Thus we didn't have this business where some people had good ideas and they just hid in one of the fifty-eight counties and didn't get to the others. When there were interpretative problems, we tried to get these out. We tried not to use a regulatory process for this because it's so slow. Here these people had to get these rolls out in a hurry, and we wanted them to do the best job

they could. We didn't want to have people stumble any more than was absolutely necessary. We didn't want to get in the position where, if you owned property in two or three counties, you had a totally different method of handling the problem in county A as opposed to county B because we were the Board of Equalization and our function is to try to make things uniform. I think that part of our program was very successful. I think the assessors liked it. I think the people who practiced property tax law liked them. And the legislature generally supported those until we get down to this goddamn Office of Administrative Law that Leo McCarthy fathered. I met with him with my staff and said, "We want an exception from this administrative law that you're passing so that we can keep on doing this."

de GRAAF: What, exactly, was the background of this law now?

NEVINS: I don't know how much administrative law you're interested in, but it's kind of a rat's nest. What had happened was that a lot of departments had issued regulations over the years, and their hearing procedures weren't terribly effective. The regulation would come into being usually based on some statutory provision. But it was unhandy; it was a bureaucrat's idea of how something ought to be done. Well, it turned out that they were all over the place. You recall, the legislature was very active in the sixties and seventies and passed all kinds of legislation, in the

environmental field, particularly. Then these departments got tremendous power to issue regulations to implement the thing. The Coastal Zone Commission, particularly, had tremendous power on regulations. People got fed up with it. So the people who were opposed to regulations got on this thing where we would have a central organization in the state that would control all regulations. It would act as a spigot; you can turn it off. [Leo T.] McCarthy got into that one. He also supported the [1979] Gann initiative. These were things that I both thought were dogs. That's why I didn't support him [McCarthy] for senate this last time around. I went with my staff and we explained what we were doing and why we wanted the exception, that it would make it very difficult. In effect, this law--I've forgotten the title--Administrative Procedures Act, I guess.<sup>1</sup>

de GRAAF: It was passed before Prop. 13?

NEVINS: No, it was passed four or five years after. It was in the last year McCarthy was in the assembly; it was one of the final things he did before he ran for lieutenant governor. He got into this movement which had a lot of business support. We went to him and said, "If you pass this thing, we won't be able to issue these letters to the assessors

---

1. A.B. 2820, 1981-1982 Reg. Sess., Cal. Stat., ch. 1573.

because, in effect, you define those as regulations." That's what the bill does, it makes regulations out of them. We're a constitutional agency, and no one's claimed that we have issued regulations that are stupid. Our regulations don't tell people what they do; they tell people how to comply with the tax laws that the courts, the legislature, and the federal constitution together bring about. If you don't have a regulation, you've got to do all this work every time yourself when you're trying to find out what you're going to do. Not everybody out there that runs a business is a lawyer, and we want to be able to make it easy for them. We also pointed out the assessors' handbooks looked suspiciously like regulations because they talked about the law; they recommended a course of action which an assessor isn't legally required to do, but they have what the courts would call "great weight." If the assessor doesn't follow them, he better have a good reason. We pointed these out, that these would then have to be adopted like a regulation. McCarthy just didn't pay any attention to us, that's all, so we were not excepted and the law was not changed. So what's happened since that time is that we've kept on issuing regulations and gone through all that stuff but a lot of it is just sort of office policy, the very thing you don't want to have happen, to have a whole lot of things office policy.

de GRAAF: "Office policy" in the sense that they don't have the full force of law?

NEVINS: Where you just go ahead and do it, and if someone doesn't like it, he sues you; that's the remedy. Here we are talking about how we don't want all this litigation and you want people to feel the government is fair and more open. Well, when it gets to be so clumsy to issue a regulation, then you tend not to issue any regulations. You tend just to do it.

de GRAAF: Was the essence of this Administrative Procedures Act that once the State Board of Equalization had come to a conclusion on regulation, that regulation then had to go through this Office of Administrative Law?

NEVINS: Oh, yes. That is the procedure.

de GRAAF: It would be subject to what?

NEVINS: What happens is they [OAL] take your regulation--say you've gone through all the correct procedures, i.e., hearings, you had a statutory basis, you've shown a reason why you had to have it, and that there was some public support for it--then they look at it and ask, "Is it necessary? Do you need regulation in this area?"

[End Tape 9, Side B]

[Begin Tape 10, Side A]

de GRAAF: You were saying that this new Office of Administrative Law greatly complicated your work.

NEVINS: Yes. First, you can forget about emergency regulation. It would take about. . . . Three months would be about the minimal time you could make a regulation. Let's say you had

a sudden need for it. Going through all the process you had, the first time you could hope to have a regulation in place would be three months but, typically, more like six or seven months. So that you would go a long period of time without any way of informing the public what your official position was, and it had been approved and the courts are supposed to take notice of it and all that. That was really the bad thing about this Office of Administrative Law. It furthermore, in effect, knocked out our ability to write letters to the assessors and put out assessors' handbooks. I don't know what we did about handbooks. I think we just issued them and hoped that nobody noticed. Now, what happened on the Office of Administrative Law was really sort of weird. If you went through the regulatory process, you got all the flak from them and all that kind of stuff. But on the other side, if you just went ahead and, in effect, made some of your regulations and you didn't go through any particular procedure, they didn't do anything about it. That's what has happened in the state government. Thousands of these policies are made; they're not in regulatory form. That seems to be what people want now, so that's the way it's done. You get back to lawyers here. They flourish under underground activities because you become sort of a specialist in the Board of Equalization or a specialist in the Public Utilities Commission and you have this advantage

NEVINS: of knowing about all these policies, and nobody else does because there's no way they can know about them, right? I objected to that but I didn't get anywhere. But I'll point out that the issuing of these letters was one of the things that made the administration of Proposition 13 effective and was one of the major efforts that we undertook, besides training assessors.

de GRAAF: I want to get into a lot of administrative reactions. There's one last shot I'd like to take, though, on the immediate political aftermath of Proposition 13. I see that there really wasn't much will on the part of the board to challenge 13 once it passed, but did you get any communications from the state Democratic party, from the national government, the [James E.] Carter administration, or anything that, "Hey, this could lead" as it quickly did--"to a nationwide tax revolt, and this could have devastating implications for all of the things that the Democratic party had written into its platforms," and so forth?

NEVINS: No, we really didn't. The party isn't that well organized. You have a vision of the party that has no reality. No, we did not get that. I did go to the National Association of Tax Administration in June after the passage of 13; it was in Boston. I did talk about it. But people were sort of shocked.

de GRAAF: Was there any communication after this between you and your

coequals in states like Massachusetts and Michigan, which very quickly had counterparts to Prop. 13? Did they seek your advice on . . .

NEVINS: I don't recall. I, personally, didn't have any to speak of. Even though I knew some of the people in these states, I don't remember them ever talking to me about it. I wasn't in the tax reduction movement. They're the ones who would have gotten the communications.

de GRAAF: What you're saying, in effect then, no national antitax reduction movement sprang up.

NEVINS: Not that I'm aware of or I remember. I think I would have remembered.

de GRAAF: That helps to give a whole political setting.

NEVINS: We just had a sudden change in American opinion, that's it.

de GRAAF: And rather than fight it, the prevailing sense was we have to go along with it?

NEVINS: The will of the people has been spoken, so you get out and do it.

de GRAAF: Now, I want to get into some of the administrative reaction that you've already begun very well by talking about assessors' letters. The other thing that seemed to be a big issue at first was something that you said that Paul Gann clarified. That was, since the new lien date was 1975, the first thing you had to do was decide how much property had changed since then because each year after that, there had

been far more than the 2 percent inflation. Was that initially at all contested in court, whether you should retroactively factor in that 2 percent per year increase in assessments?

NEVINS: Let me try to clarify what the board and the assessors did together. The assessors tried as best they could to put in their 1975 value on the roll. Some counties had great difficulty even getting it, Orange County being one of them. They had destroyed their sales information, so they could take the roll value, which is what I favored, because it had been appealed and it was unappealable. The time to appeal it had gone by without the action of 13. The legislature and the L.A. Times said you should find the correct market value and put that on in 1975. The county of Orange didn't have that. What I felt is that, if you went back and tried to put on a value that you hadn't had in 1975, then the people would have a right to appeal that value to the Assessment Appeals Board. But what did they do about it? I'm not sure I can give you a precise description to take. But most counties tried to fumble around, find a value for 1975, put it on, and shave it downward a little bit. That's, essentially, what they did. L.A. County was one the counties that had the four-year cycle, which was definitely in place in 1975.

de GRAAF: Every single piece of property was reassessed at least once every four years?

NEVINS: That was the policy in L.A. County, speaking loosely. They were working towards a system where they were going to reappraise every year, and they had a lot of stuff in place to do it by the time 1978 came along. Other counties that already had it in place and were using it were Ventura and the county of Orange. We're talking about residential property, now. In L.A., the question was, what would you have had on in 1975? The feeling in the legislature and the mass media was, you couldn't put on the low values that were on the rolls in 1975 if it hadn't been reappraised that year. If the county had reappraised the property in 1975, then you would put that value on for sure. So we can say that roughly one-quarter of all the residential properties in the state got that value. If you hadn't reappraised, you were supposed to try to find out what the market value of that property would have been in 1975 and put that on the roll, and that would be the one you would factor up.

de GRAAF: That was a heck of a job, wasn't it?

NEVINS: Don't forget, about 15 percent of the property's sold every year, so that you didn't have to do it on every property. On commercial properties, things weren't quite that bad, so that they were able to get to it. But in the county of Orange, aside from the roll values, they had thrown out all the sales material because they had so much that they just used the current stuff. So I had to tell people in Orange County, "If

you're going to appeal the value, you're not going to get it from the assessor's office because he doesn't have it. You'll have to go to your realty board and try to get those little books they have, multiple listing books, and get it out of that because they have it. If you take it down to your Assessment Appeals Board, they'll listen to it, and if you deserve a reduction based on the information in that, they'll give it to you, and the assessor will probably go along with it. But you've got to show them the stuff." In L.A. County, they really had awfully low values. My house here at that time, 1978, was probably worth a few hundred thousand dollars, maybe not quite that much. He [Alexander Pope] put on some value like \$80,000, so that on the 2 percent basis, before I started my remodeling, I was up pretty close to \$100,000. Incidentally, it's 2 percent compounded, remember that. That's the way the thing was written too, by the way. Nobody ever contested that. I don't think people understand what compounding really does.

So that kept people's feelings from getting out of hand and going to the appeals board, even though they had a massive number of assessment appeals in L.A. County. They had 40,000 or something. There were about 100,000 assessment appeals in place in 1979 in the state as compared to the normal around 20,000, and L.A. had an awful lot. The way the constitutional amendment was written, you had so much at

NEVINS: issue that if you had any doubt about the value, you should appeal. Because if you got any reduction, you were going to save so much money downstream. Well, it turned out most people lost heart--I don't know why because they certainly didn't look at the numbers--and abandoned their appeals. Of the 100,000, probably 50,000 or 60,000 appeals were abandoned. In other words, the people didn't prosecute them, didn't show up at the hearing; they didn't do whatever they were supposed to do. Assessment appeals in the ten years since 13 have now gotten down mostly to fights about sales, where people got into the charge that the assessor didn't take the selling price; he took some other value. So you'll see efforts in subsequent years to have selling price used. There were some statutory schemes that were used to try to get to that. Basically, they're unconstitutional. The constitution on market value was not changed by Proposition 13. In other words, you apply the pre-13 value system to the sale of property when the thing changes hands.<sup>1</sup> A lot of

---

1. Article XIII had been interpreted by the courts in such a way that the assessors were required to find market value every year and put that value on the roll. Market value is the price in money a willing buyer will pay a willing seller, with no exigencies involved. *De Luz Homes v. County of San Diego*, 45 C2d 546 (1953, 1954) [two cases]; 290 2pd 544 (1955). Sale prices are not as clear a value as they seem. In the 1970s, "taking back paper" and loans made at less than market value. . . . Interest rates had to be brought to "present worth"; that is, recalculated at current interest rates for that kind of property, considering the cash down payment. Appraisers can make the computation in seconds with their pocket computers. [Footnote added by Mr. Nevins.]

NEVINS: folks had trouble with that one. Dronenburg got involved in one of those, with some nuts. They tried by rule to get back to some thing where we used the sale value. What the legislature did do is say that if the assessor didn't have any other value, then the sale value would prevail.

de GRAAF: Was that Senate Bill 154 that was passed [in 1978]?

NEVINS: I don't know what it was. It was downstream quite a ways there was a bill passed. They also said the burden of proof in assessment appeals for homeowners was on the assessor, in later years. They were trying to make this sale thing stick. But you can usually come up and just devastate the homeowner, like the case that got Dronenburg all wired up and which he tried to sell me on. Here are the facts, and we'd better put them in the record here. There was a subdivision out in Riverside County, and the builder got control of the real estate and started building houses. He got a chance to sell a lot of houses before they were constructed or were in the early stages of construction. Of course, he gave a big reduction in price on that because he got cash right now, which is what a builder wants. We'll use these numbers. I think he sold the house in question, completed value, \$65,000. Then, when the houses were completed, he sold them for \$80,000. Obviously, \$80,000 was the value of the house. But he [the buyer] tried to go into court in the Assessment Appeals Board in the county of Riverside to get the \$65,000,

and the board just said, "Forget it." Then, he tried to win it by our rule.

de GRAAF: Using Dronenburg.

NEVINS: The real estate man that had sold this uncompleted house to this person actually was the one behind this thing in Riverside. That's not the constitution before 13; it isn't the constitution after 13. You can't change it by statute, so they tried to use the rule method. We had a big debate. It turned out that Dronenburg had another client, the Irvine Company, who were involved in the sale of the company. They wanted to have not the market value of the company but the sale value of the company. The assessor didn't buy that, and they eventually reached a settlement of a higher value than the sale value but not as high as the assessor had. That was one of the little nasty issues that came out of 13 downstream. Assessment appeals boards spent a lot of time trying to get a sale value where there had been trades and a lot of other stuff.

de GRAAF: Another change seems to be that some of your administrative apparatus is just wiped out. The intercounty equalization, for example.

NEVINS: Yes. We went down in staff from, like, 160 to 105, something like that. We laid off a lot of very bright people, because they went off on a seniority basis. In our Division of Intercounty Equalization [DIE], we really had the brightest

young people. They had the most experience. They were out appraising property all the time, and they had lots of information. The guys who went out, God, all of them are millionaires now. It's unbelievable.

de GRAAF: Besides the loss of bright staff, was that program, essentially, closed down?

NEVINS: Just shut down completely.

de GRAAF: Did that mean, and does that mean to this day, that even within the pre-1975 categories, for example, there is no longer necessarily any intercounty equalization?

NEVINS: What happened--we're now talking about five or six years after the passage of 13, 1984, 1985, somewhere along in there--was the legislature became aware that the assessors were not necessarily complying with the provisions of 13, the rules and regulations that we promulgated. There are statutory provisions. They wanted a way to evaluate what was going on in the counties, so a thing like the DIE was reestablished with a much smaller staff.<sup>1</sup> Instead of sixty people, it was ten or twelve people.

de GRAAF: Is this what they called local agency monitoring?

NEVINS: Something like that, whatever words were used. But what they

---

1. S.B. 1326, 1981-1982 Reg. Sess., Cal. Stat., ch. 327, called for annual sampling of assessments from local rolls by the Board of Equalization.

did is they went out and they segregated the role by value segments and property classes, and then they would go out and see what the assessor did. Did he put the construction on correctly? Did he catch all the sales in the county and put the new value on the roll? We found there were quite a few cases where he didn't. We found quite a lot of new construction that was not remodeling that wasn't put on the roll, even though all counties now have a building permit system. When Proposition 13 passed, not every county had a building permit. You could build property in lots of counties without building permits up until recently. So one of the things that happened with Proposition 13 is that every place in California started having building permits because they wanted to pay for their building department and they also wanted to keep track of things. They also realized, well, God, if we don't do this, we're losing revenue. We have the environmental movement and planning, so I don't think you can build anything in California without a building permit anymore. There was a lot of business support for that. Banks liked that because what they don't want to do is find a building on a piece of property and somebody trying to get a loan on it, then they go back and say, "Has the guy complied with the law? If we take over this property, can we market it?" So they go back and see that he complied with the permits.

- de GRAAF: Another casualty seems to have been your Office of Appraisal Appeals.
- NEVINS: That's right. That went along with the Division of Intercounty Equalization. In other words, there had to be a mechanism by which assessors could say that our staff appraisals were in error, you're the final authority, you rule on it. So that's what that was all about. We didn't need that anymore; we weren't measuring assessment levels anymore.
- de GRAAF: Did this mean the board was no longer available as a court of last appeal on assessment at all?
- NEVINS: We weren't a court of appeal. We were only dealing with assessors. We did not deal with the taxpayer. See, we were measuring assessment levels in the county. The taxpayers may have been involved in the thing, but the person, the party before us, was the assessor, not the taxpayer. What we were finding was that the assessor hadn't put enough value on the roll.
- de GRAAF: But now, after 1980, you had no more function along that line. And that's true to the present day?
- NEVINS: I think on this monitoring thing there's some kind of appeal process, but it's nothing like the one before 1978. It's not as extensive; it's not as official. There's a little hangover from it procedurewise.
- de GRAAF: Are you aware that as a result of these two agencies being

dissolved that today there is, even on the same type of properties, a property that hasn't been resold since 1975, greater variations and assessments around the state than was the case before 13?

NEVINS: I don't know. I don't think anybody knows. I don't think there's any way to get that information without spending a lot of money. What the legislature was concerned about was that they had to appropriate money from the general fund to support local activities and they [legislators] were aware that, if counties followed the board's rules on Proposition 13, that property taxes would grow at faster than 10 percent. What they wanted to make sure was that the counties were complying with the board rule, that they just weren't being real sloppy and cut their assessor's office down to nothing and were not raising the money that could be raised.

de GRAAF: You use the figure 10 percent because that's roughly the amount of change of ownership?

NEVINS: Yes. The property taxes grew faster than inflation and every other revenue source and, historically, have done that since Proposition 13 passed. In fact, I understand property tax revenues today in dollars are the same as they were in 1978.

de GRAAF: I checked that. It is, yes. Of course, not in real dollars; but in current dollars, yes, you're right. That's sort of an irony. Oh, cyclical appraisals. How were these affected by Prop. 13?

NEVINS: The board's policy on assessors' offices was not to have cyclical appraisal but to reappraise the property every year, to have an Assessment Standards Division in the assessor's office which would keep track of where the market activity was in the county. The assessor's job was to have a mechanism to reappraise or at least factor up the properties in that area by what the sales activity showed it should be factored up to. I'd say the smart counties had a system like that: San Diego County, Orange, Ventura. Santa Barbara had a system like that. San Francisco had done something like that, although they sort of slowed down. Alameda County, Marin. San Mateo County got slowed down. They got a kind of a funny court order that nobody really challenged. What they got was that they had been keeping--we're talking about pre-13, now--the homes up but they hadn't been reappraising the business properties every year. Somebody got a court order saying they couldn't raise the homes until they got all the business reassessed. But they didn't go, then, and increase the assessor's office. I don't remember how that finally worked out, but it was a real weird decision that the court got into. On anything like that, the Board of Equalization would get joined in. That was a case we weren't joined in, so that we didn't know about it in a timely way. But after that, I think any case that challenged the assessing scheme, you not only had to take on the county, you

had to challenge us, too. I think the law was changed at about that time. If you just had a valuation on a piece of property, we didn't get involved in it. But if you came in and said you had to change your assessing scheme to get to somebody, then you had to enjoin the board. So then we could get the attorney general in; so then we could knock it down locally.

de GRAAF: But obviously, after 13, all of this went by the boards. I think it was simply pre-1975 property was unchanged except for the inflation factor. I notice around the early eighties, a series of bills come in, apparently connected with Jerry Brown's budget crisis, to speed up the reappraisal.

NEVINS: To speed up tax collection. When Deukmejian came in, one of his budget balancing things was, when you put new construction on, then you tax the full-year value of the new construction on the day it's put in. Then go and get another value the next year, so that you get two values out of it in one year. The courts have ruled that that's constitutional.

de GRAAF: In other words, did this change the lien date?

NEVINS: They changed the lien date. You can have the lien date running around all year. That's always been possible to do from day one. You could always change by statute the lien date, but it had never been done. We had been trying to get it changed to January 1. I believe it is January 1 now. It took forever to get there. That was one of the things that

happened in my last year. I think they finally got it there. First, we got state utilities on January 1; that was done a couple of years before I left office. I believe in the last year they finally got other properties changed. I think you'll see it in the one [annual report] after I left. The board had been working for that for twenty years.

de GRAAF: In November of 1978, a Proposition 8 passes that has something to do with the reevaluation of property in event of disaster.<sup>1</sup> Was this a blind spot in Proposition 13?

NEVINS: No, this is a new concept. Unfortunately, in that measure, which was carried by Senator [Daniel E.] Boatwright, there was a provision put in there, a couple of little words at the end, that were put in at the last minute by a staff person. There's no record of how it got in there. It goes on the ballot. Nobody analyzed that provision, and it screwed up Proposition 13 pretty badly. While we're talking, I can remember what it did. That provision was a real bear. Boatwright, who married our lobbyist, by the way, never could explain how it got there. He says, "I don't know how it got there." The staff person that put it in left his employ, went East.

de GRAAF: I think that what you're referring to is something to the

---

1. Authorized by S.C.A. 67, 1978 Reg. Sess., Cal. Stat. r. ch. 76.

effect that, should property be reduced in value by natural disaster, some other specific thing . . .

NEVINS: It didn't say "natural disaster"; it said "be reduced in value." It didn't give any reason.

de GRAAF: I thought it said "disaster," something else, and "any other factors" or something like that.

NEVINS: The way the thing is worded, if you look at it real carefully, it doesn't give any reason why. It's reduced for any reason. Going back to pre-13, if a piece of property had a reduction in value, the assessor was supposed to put the lower value on. My feeling before that was that the assessor had the responsibility to find those values and reduce them because this is a full-service operation, right, and he was being fair. I felt in the post-13 [era], it's the taxpayer's responsibility to find these values. Reductions in value in Proposition 13 are rather involved, but what you have to do, essentially, is show that your value is lower than the base year value. Let's say you had a piece of property . . . . We're talking about land and buildings, now, because we're no longer really involved in personal property excepting in a business scene, which is a whole different world. What you had to show was that your reduction in value was below the base year value. That's pretty hard to do. It happens, but it's very rare, so there really wasn't any reason, in my view, to make a big thing out of having reductions in value.

de GRAAF: I wondered about that.

NEVINS: This thing here that was in that measure had some gimmick where people tried to say, "Well, I lost \$50,000 in the value of my property. Therefore, you should reduce my assessment \$50,000." Well, that's really not the Proposition 13 scheme. But this constitutional measure gave some weight to that.

de GRAAF: It invited more appeals for reductions?

NEVINS: It invited stuff. I don't know what's really been done about it. There's a real question on lots of real estate whether fires really reduce the value that much. You take a property like one here, where the land value is so high, you have to have really serious damage to the house before you're going to see something measurable out there. My stepfather's house had a serious fire in the upstairs. The house was in bad shape physically anyway because he hadn't taken any care of it for twenty-five years or so. The house is on the market now. The house next door sold for \$1.9 million this last week. Chances are his house, which has a bigger piece of real estate, same site, is probably going to sell for \$1.7 million, \$1.8 million, with the fire damage because the people who are going to buy the house are going to gut the kitchen and redo everything else. They're probably going to spend \$500,000 anyway, whether the house is in good shape or bad shape. They buy the location and all that stuff; that's

the big value today. What the house does is make it go faster. Some guy comes out from Pittsburgh and needs a house in a hurry--we're talking about high-valued houses, now--he wants the air conditioning in place and he wants it to look neat because he's got to get in, get his wife out here, get them [the children] into school, and get going. He can't afford to remodel. But most rich people aren't in that position. They came out here and they want a house in a certain place. They don't care what's there now. We've got some Canadian in a house about three up from where we are now that has his daughter in this shack. I'm just giving you a lot of baloney that's beside the point but it sort of illustrates the point. People on welfare lived in that house as recently as ten years ago. She has one of those four-wheel-drive Range Rovers out there and a Rolls Royce in the driveway. Those are the cars in the driveway. They've made all kinds of changes in that place. The guy that represents them said, "If we could buy the house next door, we'd tear everything down and build a new house."

de GRAAF: One thing I definitely want to get into is the bailout.

NEVINS: Keep in mind we don't know all the details because we didn't get in on it. We were so busy working on assessments. I just know in theory what went on in the bailout. But the politics of that were unbelievable.

de GRAAF: That's exactly what I'd like to get into. Here we have Prop.

13 passed. The surplus, on one hand, is now unveiled, but the crunch of Prop. 13 is also now known. The two were roughly equal. Prop. 13 took \$6 point something billion, and the surplus is about \$6 billion.

NEVINS: The surplus was sort of ongoing. The revenue didn't just stop.

de GRAAF: That's quite right.

NEVINS: Most of it came through the income tax.

de GRAAF: Now, there were two basic things here, and I'm not fully privy to the legislation so I'd appreciate you filling in details. On one hand, local government was going to lose a great deal of revenue for its operations. On the second hand, schools had a lot of their funding in jeopardy. Also, the whole principle of equalization following [the] Serrano v. Priest case and so forth, what was going to happen to that? Were those essentially the main questions involved in the bailout?<sup>1</sup>

---

1. The "bailout" involved a series of legislative actions in the aftermath of Proposition 13. Most immediate were S.B. 158, 1977-1978 Reg. Sess., Cal. Stat., ch. 292, and a companion measure, A.B. 2212, enacted in the same session, Cal. Stat., ch. 332, which distributed \$4.4 billion of state surplus revenues to cities, counties, special districts, and schools in 1978-79. A long-term funding relief was provided by A.B. 8, 1979 Reg. Sess., Cal. Stat., ch. 282, which shifted several social programs, including Medi-Cal, SSI [Supplemental Security Insurance], and AFDC [Aid to Families with Dependent Children], and food stamp administration from local to state revenues. A.B. 8 also increased state funding for K-12 public schools and community colleges. California Assembly Revenue and Taxation Committee, Revenue and Taxation Reference Book, 1980 (Sacramento: Assembly Publications Office, February 1980), J1-J3.

NEVINS: My understanding of the bailout is this. When the Proposition 13 passed and the budgetary decisions had to be made in those three weeks between June 5--or whenever the measure passed--and June 30, the budget date, early on, the decision was made to not do the cold turkey but the ameliorative thing that I'm talking about, where we'd have the state pick up a lot of the funding on a reduced basis. It was understood to be on a reduced basis. Cities got relatively little money from the state to make up for their property tax loss for a number of reasons. One is, a lot of cities didn't levy property taxes. Secondly, property tax was a small part of the revenue base of cities that did levy them, like Los Angeles, San Francisco, and so on. So the big user, and the one that had to be saved in a hurry, obviously was the schools. The effect of Proposition 13 with the 1 percent rate and the rate reducer was that where property taxes had been 60 [percent], 70 percent of the revenue support of local schools, K-12, you now have property taxes, if the school districts got it, that would only be maybe 15 [percent] or 20 percent. But they, of course, didn't get it because the county got a part of the 1 percent. Cities got a little bit. The special districts that didn't have any other taxes but property taxes had to have them. Some of them had bond issues and stuff like that, although that could be an add on. So schools, I don't know what they get in property

taxes, but it's a very small amount of their total supply. I believe it's somewhere near 10 percent on average. So what you have is the state came in with sort of a uniform allocation scheme to every district. In other words, *Serrano v. Priest* came into being just like that, bango! Your readers will have to try to fathom that case on their own. Let's not bother to explain it to them. Then, the hardest hit, in a lot of ways, was county government, and they're the ones that are screaming the most. They had fat city on property taxes before 13; life is tough for them now. So the state is still in the process of picking up various county functions. The courts are one of the latest ones that get picked up almost entirely by the state. Of course, the effect of that is that the counties get a loss of control over these entities as the state comes. Ditto on school districts; the state is a very big player in education because of that. So your legislator becomes your school board member, not your elected school board member.

de GRAAF: So in fact, in categories where the state was very concerned about the service, like schools, the effect of Proposition 13 was actually an equalizing one.

NEVINS: Right.

de GRAAF: And categories where the state is perhaps not that interested . . .

NEVINS: Equalize downward, somewhat. You've got to stress that.

de GRAAF: That's true. In categories where the state has not been as concerned or has not entered, like libraries, they've really taken a cut.

NEVINS: I think libraries were used as a gimmick by local government, be it county or cities, because it was an obvious thing and people got upset. So they would try to use libraries as a mechanism to get more support for things in general. But what cities and counties and school districts did was that instead of looking at local fund-raising situations, the big person in the district became the lobbyist in Sacramento and the lobbyist in Washington. That was the real change in how local government operated. The lobbyist in Sacramento, the lobbyist in Washington, D.C., could do so much more for them than anything else that that person became the big thing.

de GRAAF: Did you find, or do you have any studies to the effect, did developers' fees become much more common after Prop. 13?

NEVINS: There always had been some developers' fees; I don't want to kid anybody about that. But they went from \$1,000 to \$100,000. They started funding schools and parks and roads and streetlights and you name it. If they made a subdivision, they had to put in all the roads; they had to do everything. I mean, there was no downstream improvement by property taxes implied under the new era. That's what had happened in the old days--you would put in something barely marginal, a subdivision with barely paved streets, no

streetlighting, no nothing. Over time, your city or your county would improve the paving, put in streetlighting, put in gutters, put in sidewalks, do all that kind of stuff.

de GRAAF: All paid by property taxes.

NEVINS: All paid by property taxes because there were property taxes there to pay for them. Improvements like that were considered part of life; that's how you did it. But when Proposition 13 passed, there was no chance there was ever going to be any property taxes to do any of that stuff. So you had to get the builder to put it in. What did that mean? That meant the up-front cost of the house, of course, was a lot more because the buyer had to pay for all that stuff. It had to be financed as part of the transaction. So immediately you had a big jump in new house prices for the next four or five months after Proposition 13. It had to be there because there wasn't any other way to get these things. People don't like to put in improvement districts; I guess it still happens once in awhile. But basically, having government improve the scenery afterwards, that's out. So planning becomes a very big thing at the local level. What does a planner do? He sees that all these things fit together, that the developers pay for all this stuff. Developers can even pay for things that are not right in their subdivision. They can pay for a school a mile away; they can pay for sewer lines brought that are a long way off,

water lines, everything. And that was foreseen. The newspaper articles were right there on that one right off, and that's what happened.

de GRAAF: Does the State Board [of Equalization] have any role in such developers' fees?

NEVINS: No.

de GRAAF: Is there any such thing as equalizing developers' fees?

NEVINS: No, it has no relation whatsoever. Those are local things, and they're empowered by the legislature to levy [developers' fees]. I think that bill I was telling you about empowered them to levy them right there. If they hadn't levied them, they were empowered to levy them, and they did.

de GRAAF: One other thing that may have mitigated the impact of Prop. 13 at first that I'd be interested in your comments on was the fact that we were now in a policy of revenue sharing. It started during the [Richard M.] Nixon administration.

NEVINS: We had revenue sharing in California since 1850.

de GRAAF: Federal government money?

NEVINS: No, but we've had state sharing with local government, which was a major factor in their development all the way. There's always been programs where the state raised money that was essentially spent locally, although the constitution forbids it. But that's what in fact happened. Like, schools are a good example. Schools are a state program where the money is spent locally.

- de GRAAF: What I'm talking of is a federal program that was begun during the Nixon administration of refunding to the states and localities a certain amount of the federal income tax in the form of either categorical grants to support specific things or block grants.
- NEVINS: There have been federal programs since the thirties, like the forestry ones. There were a whole gang of them out here. I'd say in the [Lyndon B.] Johnson administration, you started really getting big federal programs.
- de GRAAF: That's true. Schools, especially.
- NEVINS: Well, everything--welfare, schools, you name it--came onstream in a big way. Medicare, Medi-Cal, all that stuff came on and had a major effect on local revenue or, actually, local income. They didn't actually get the tax, they got the money. So more of what you call revenue sharing started with Johnson. What Nixon did was give more local autonomy to it. That's what his supporters wanted. They wanted to be able to spend the money the way they wanted. They didn't want to spend it on welfare; they wanted to spend it on a new city hall or something like that.
- de GRAAF: In your estimation, did this also help to blunt some of the impact of Prop. 13?
- NEVINS: It blunted it a little bit. But a lot of those programs had been in place before Nixon came. Nixon's, I think, contribution to them was to free up the restrictions very substantially.

de GRAAF: One other thing: the whole general psychological impact of Prop. 13. Now, by a two-thirds vote, cities could go to new taxing sources. As a matter of fact, was this very common? Or did Prop. 13 lead to several years in which taxes of any type were a no-no?

NEVINS: Cities certainly started going into the fee business right off. Cities that had proprietary income, like power systems, water systems, immediately enlarged their revenue capabilities. I think the way Proposition 13 was construed, proprietary businesses weren't counted for anything. So you can double your water rates and just take the money home. Pasadena has done that in a big way with water and power.

de GRAAF: There's nothing in Pasadena's ordinance that says funds raised by the water fee has to go to water-related uses?

NEVINS: No. It's just profit. So the cities that had a lot of that--Anaheim is one--tended to end up being in very good shape. You ask about taxes per se, a two-thirds vote. My understanding is that the first successful ones weren't passed until around 1984. There were a lot of efforts before then but I believe 1984 [was] when Palos Verdes finally got a tax measured by so much per hundred feet of frontage on the streets. [It] was levied and was made constitutional. I believe that the constitutionality of that was decided rather rapidly; they didn't wait four or five years. But I believe that was one of the first ones. There were a couple in

northern California and a couple of very small cities where taxes--you've got to use that, not fees, taxes--were raised. I would judge, from what I've read in the papers since I've been retired, that maybe ten or twelve cities at the most have levied taxes. Now, you can have revenue bond sort of things, and that's happened.

[End Tape 10, Side A]

[Tape 10, Side B blank]

[Begin Tape 11, Side A]

de GRAAF: There are a couple of other actions. I don't know if they really fit in with Proposition 13. I'm now ready to sort of fade away from that scene. But they come immediately after it. One is the interesting ruling that the state board made that in state-assessed properties--utilities and railroads--it [Proposition 13] would not apply to the rollback to 1975. What was the reasoning in that?

NEVINS: If you look at the language in Proposition 13 very carefully, it uses the expression "property assessed by county assessors," which is not in the state constitution otherwise. So the meaning of that was that Howard Jarvis, who we felt was sophisticated enough to know the difference between county-assessed and state-assessed property, meant not to hit the state assessees. So we kept right on doing it the same way. They challenged us in the courts and lost, of course. There were some very tricky things on that. If they

had done it [assessments] with Proposition 13, they might have ended up with higher assessments than what they got. They would have had a lot of problems with it because they [the utilities] built a lot of stuff; they have a lot of new construction. They would have had to show that the depreciation generally was enough to bring them down below the base year. I think what they would have had to do, basically, all the time was value the old way and see whether it was less than the base year plus new construction. I think, generally, it would have been; using it the old way would have been less. So they would have to go through the same maneuver. It was sort of funny dealing with some of these people, particularly the railroad people. They would talk about how they should be assessed under Proposition 13. I said, "Yes, but that doesn't get you out from under the board. First, you'd be assessed by us. Secondly, we make all the rules anyway, so you're right back to where you started." The guy looked at me as if I was a monster, but I was just telling him the facts of life, which he didn't really grasp. He wouldn't have been assessed by county assessors because Proposition 13 made no mention that the state was going to lose the right to assess. We did it that way. I believe about two or three years ago, the courts upheld our assessment.

de GRAAF: Actually, there were two cases. I don't know if you or the

board followed them, particularly. One was with ITT [International Telephone and Telegraph].<sup>1</sup> I could never understand where ITT got into state utilities.

NEVINS: ITT, at the time, owned some radio telephones, those things that go across the Pacific. So under the way the constitution was worded, that made them subject to our assessment. There were two ITT cases. The first one, involved, could they be assessed more than their replacement cost less depreciation because the property earned so much money? The court upheld that one. I think the second one had to do with, can the board assess them? I think those are the two cases.

de GRAAF: Then, there was one with railroads that always goes under the RRRR acronym.

NEVINS: "RRRR" is Railroad Replacement and Reconstruction Act of 1979; I think that was the year. [Railroad Revitalization and Regulatory Reform Act of 1976]. The Southern Pacific, in its infinite wisdom, was the prime mover in that federal legislation. Under the commerce clause, they got this provision in that said that if states discriminated in the assessment of railroads, then the matter could be taken to a

---

1. ITT World Communications, Inc. v. County of Santa Clara, 101 Cal. App. 3d 246 (1980); ITT World Communications, Inc. v. City and County of San Francisco, 37 Cal 3d 859 (1985).

federal court directly. So instead of using the usual practice of exhausting your local remedies and then going to the federal court, they got us into federal court. As I recall, the first run at it, the federal courts said, "Why don't you exhaust your remedies?" which they did. Then they went back. But actually what they did is they took the case on the RRRR Act to a superior court in San Francisco. I didn't get in on their reasoning for that. Basically, they went under the federal act in the state court. I still don't know what the resolution of that is. They got a woman judge who had been an accountant and then moved on to law school. She apparently married a judge. When he died, I guess Willie Brown got her appointed to the superior court. Because of her accounting background, the chief judge of the great county of San Francisco gave her this case. It's been dragging on for years. I don't know if it's been resolved yet. I haven't really read the latest annual report [of the Board of Equalization].

de GRAAF: As of 1985-1986, it was still pending, I know.

NEVINS: It was still pending last year, too. So if it's resolved, it would have been in the latest report. I keep asking one of the people I know on the board, but she doesn't really handle this sort of thing so she doesn't know about it offhand.

de GRAAF: One other thing that occurred about this time, and it may have not had much meaning but I throw it out, about 1981, the

basis of assessment was changed from 25 percent to 100 percent.

NEVINS: That's right. I told you we went onto the 100 percent assessment on Proposition 13 because the way the thing is written, it doesn't make any sense to do anything other than go on 100 percent because that's the language used in the measure. So we just made the switch.

de GRAAF: Did that result in a great increase in property taxes?

NEVINS: No, because it's 1 percent of the market value, if you read the thing.

de GRAAF: So that was really no great change. One other thing that, to me, had some of the earmarks of the property tax revolt was what was happening in gasoline prices and therefore gasoline sales taxes in the late seventies and early eighties.

NEVINS: Now, your friend Jim Mills, in about 1972, had the sales tax law changed so that gasoline became subject to the sales tax.<sup>1</sup> Before that, it had been exempt from the sales tax. About that time [1973-1974], the first big gasoline shortage came on, and gas stations, which had been a mere nothing in the sales tax world, suddenly became big money. Administratively, even though I heckled the staff on the thing, we didn't handle it very well, and we ended up with some severe sales tax scandals.

---

1. S.B. 325, 1971 Reg. Sess., Cal. Stat., ch. 1400.

de GRAAF: Scandals?

NEVINS: Oh yes. What happened was that you get these guys, they'd go in business for two or three years, no more than that, and they'd underreport their sales tax drastically. Then, they'd go to Lebanon or someplace. We lost a lot of money on that. We ran into some straightout fraud cases on the thing.

de GRAAF: But the thing that's happening, the annual report, I believe it's 1979-1980, comes right out and notes this. That was the year, I believe, that the revenue you got off the gasoline sales tax increased something like 48 [percent] or 49 percent in a single year. The thing that struck me, my heavens, why wasn't there more voter outrage at that along the way there was with Prop. 13?

NEVINS: Yes, but the price of gasoline went up. Evelle Younger, when he was attorney general, made an interpretation of the sales tax law that, if you posted the price of a thing like gasoline and included the gas tax, you also had to include the sales tax. You couldn't post a price less the sales tax, so that you always bought gasoline with all the taxes included. There was a short period where people tried to do it otherwise. I wrote Evelle a thank-you letter on that one. I said that helped us a lot. I'm probably the only one that did. But it was good consumer law at the time, and it was good tax law. But people didn't blame the increase on the sales tax; they blamed it on the Arabs. So we never

caught much flak on that. When it first became taxable, I did get some squawk, which I was rather rude to, I might add. But I just couldn't see what all the thing was about. The important thing about it was, it gave local government a good base for taxes they didn't have before because, if gasoline wasn't subject to [sales] tax, then they didn't get the local tax. Once it became subject to [sales] tax, they got the local tax.

de GRAAF: Was it still four and three-quarters cents going to the state and one and a quarter going to the local?

NEVINS: No. One quarter went to some weirdo law, some transportation law that Mills invented.<sup>1</sup> God, that formula would just beat me. I never could understand where that quarter came up. But that came in the 1972 act. Before that, it had been five cents locally and one cent to the state. I think that quarter percent goes to transportation purposes. In other words, for streetcars, roads, stuff like that. Mills was all into streetcars and railroads even back in those days. He wanted to get California back on to the railroads. Remember, there was a subsidy of the tracks into San Francisco, on the peninsula. That was paid for by that money. That was one other thing.

---

1. For citation, see above, p. 426.

de GRAAF: So, obviously, this increase in gasoline was another factor that for awhile helped to lessen the impact of Proposition 13 on local government.

NEVINS: Right, but there had been all these rate reductions in the income tax and the indexation of the income tax. What was the other one? The exemption of business inventories? It seems to me there was another one. Then, the inheritance tax became exempt somewhere along in there. There was quite a lot of tax returned to the people in California, quite a lot. It seems to me there was one more big one; I can't remember what it was.

de GRAAF: The final thing I want to mention was, around 1984, I believe it was, California puts in the lottery. Now, I'm curious. Was the state board at all consulted on that proposition?<sup>1</sup>

NEVINS: No, we weren't. That was an initiative, as you remember, and the people who put the initiative together were, basically, this company from Atlanta that sold the material for the thing. That's what it all boiled down to. They really did some funny things. One of the things they did is that when that measure became effective, to reach all these stores around California where they were going to sell lottery tickets, they put in a data processing system that was so

---

1. Proposition 37 (November 1984).

much better than the rest of the state had, it was unbelievable. I don't know if you've ever been to buy a lottery ticket, but that's an online system. It's such high quality that it's just like being instantaneous. It reads the store and everything. You just push the buttons and it reads up in Sacramento and here it reads back and prints the tickets. Go and get one sometime or have the guy show you how it works. But we and the Department of Motor Vehicles needed one. A whole lot of us were wondering how in the name of God did this crazy lotto system get a process like that when we needed a system like that. I mean, ours had a seventeen-second delay. We got it down to eleven seconds, but we were making 11,000 or 12,000 inquiries a day. Multiply that times eleven seconds, you're talking about a lot of money in lost employee time. And here was this crazy lottery with a high-speed special line, dedicated lines and all that stuff. I thought it was a fraud; all of our employees thought it was a fraud. But George Reilly, who was not on the board at that time, always favored the lottery as a great fund raiser. Of course, it's just a mere nothing in California. What do we have, a \$30 billion, \$40 billion budget now? It raises \$500 or \$600 million, and that's it. Let me just say one thing. A lottery is a business venture, and if you don't have new ones, you're not enterprising new ideas all the time, not generating a lot of publicity, it

- NEVINS: just doesn't go. And that's your problem: you have to keep interest up or you don't sell any.
- de GRAAF: So it was not particularly a major factor in offsetting Prop. 13.
- NEVINS: Like horse racing tax, \$100 million a year. Forget it.
- de GRAAF: I'd like to turn to some totally unrelated things to Proposition 13. The first of these is based on a law. In 1981, the State Employee-Employer Relations Act, SEERA, was put in, providing for collective bargaining in all state agencies.<sup>1</sup> Shortly after that, I begin to see the annual reports spending a lot more time on staff training programs and employees and so forth. Had there been any labor difficulties within the agency? Or is all this a reaction to SEERA?
- NEVINS: I don't think anybody on the board ever took SEERA very seriously. We always had one or two employees who had been active in CSEA, the California State Employees Association. They were not particularly influential employees in the board. We had people who were active in CSEA, I think, primarily for the social life rather than the union activity. As you remember--you're not quite an old enough state employee--but the only way you could get health

---

1. S.B. 668, Reg. Sess. 1981-1982, Cal. Stat., ch. 230.

insurance for a long time was to be a member of CSEA. So that had a lot of members in for those reasons. They had the federal employees credit union. All these things all tied together. But as a union force, it never amounted to a hill of beans, as far as I could see. It was not an important factor. You had to keep it from getting out of hand by planning for it, but it didn't change the organization that I can recall. You did have some grievances. The state had always had grievance procedures. I think they got a little more serious with SEERA. All the bargaining with different groups was done by the governor's office, whereas before, I think, some of the departments had been involved in some of the bargaining things. One that the State Board of Equalization was particularly concerned about was sick leave. I did go to the guy that Deukmejian appointed; it didn't become effective until Deukmejian was governor. I think there was some kind of litigation there or something that kept . . .

de GRAAF: I know the first collective bargaining contracts were 1982-1983.

NEVINS: Whenever Deukmejian was in because they weren't there when Jerry was there. I told them that there had been serious abuse in sick leave and what they ought to try to do was have some way to cash some of it out and combine it with vacation time because that's what everybody was doing, was using sick

leave for vacation. I think they did do that a little bit; they did cut down on sick leave. But we were having serious problems with, particularly, our female employees on sick leave; they were abusing it seriously. We would run into situations where the office wouldn't be operable on Monday. Well, Friday was usually the worst one. We'd get down so that there was hardly anybody there. We'd beat on the supervisors and play hardball. We improved our administration a lot on that, but still we had excessive sick leave. If you just take a single day, it's pretty hard to beat on the employee. I don't know if you've ever been an employer. The way the system works is, you're supposed to get a note from your doctor. Well, apparently there are doctors out there that'll give a letter to anybody for anything. But they don't make much of an issue about it on one day. So if you're out Monday and say, "Well, I got sick on the weekend and couldn't come back Monday," it was pretty hard to do too much if they came back. So what would happen is, you would see people that had two weeks of vacation and two weeks of sick leave having just a three-day weekend all year long. There was another benefit that came in there. If you used up all your sick leave, then you got on some kind of unemployment or health program that was available to private employees. In other words, a 1 percent tax on your salary if you work in private industry pays for this program. So the

NEVINS: state put in a similar program with about the same kind of benefits. It really doesn't fit very well, and the legislative history is pretty weak. It was sort of an afterthought to make state employees the same. If you're a real malingerer, you then go under this leave that this thing is and you get paid so much a day. So it's pretty hard for a low-paid employee to run out of sick leave. It doesn't do anything for a high-paid employee because the amount you get under this program is too small to make it worth doing.

de GRAAF: I have a few changes in the board. You were mentioning earlier today how you managed to get reapportionment so you had a Democratic district. But the fascinating thing to me is the delay in reapportionment. You didn't get reapportioned in the eighties until 1983, after the election of November 1982. Have any idea why? I know all reapportionment was slowed up.

NEVINS: It seems to me the Republicans got the reapportionment measure that was passed by the legislature in 1981 thrown out for some reason.<sup>1</sup>

---

1. The reapportionment plan approved by the Democratic-controlled legislature in 1981 was subject to a referendum. The California Supreme Court refused to void the referendum on the legislature's plan in *Assembly of the State of California v. George Deukmejian*, 30 Cal. 3d 638 (1982), and in June 1982 it appeared as three measures: Proposition 10 (Congressional Districts); Proposition 11 (Senate Districts); and Proposition 12 (Assembly Districts). All three propositions were defeated by a margin of nearly 2 to 1, thus ending the first effort at 1980s reapportionment. None of the ballot propositions would have redrawn the Board of Equalization districts.

de GRAAF: They contested it in court.

NEVINS: And they won. The decision was a little on the Mickey Mouse side. The people who ran in 1982 ran in their old districts, as I recall. I must have been up at the time, I just can't remember. We're talking about legislative and Board of Equalization districts; we ran in our old districts. The congressional races had to be run in new districts because we got more congressmen, and they wouldn't let you run statewide. Then, what they did is, they had this legislative session, as I remember, in December, and in a two- or three-day period, passed a bill reapportioning the board. Then our bill, which we got sort of independently passed, was amended with the legislative and congressional reapportionment, in which they made some changes in the congressional districts. That became the reapportionment bill and was not overturned by the court.<sup>1</sup>

de GRAAF: That was not until 1983.

NEVINS: Yes, but I think it became effective, like, January 5 or something like that. It's one of those things where it was

---

1. A.B. 2, 1983-1984, First Ex. Sess., Cal. Stat., ch. 6. This act was passed after voters rejected a Republican initiated constitutional amendment [Proposition 14 (November 1982)] that would have transferred reapportionment to a commission. The vote was 45.5 percent to 54.5 percent no. This was apparently the first and only of the series of reapportionment measures and suits in the early 1980s that included districts for the Board of Equalization.

passed while Jerry was still governor; he signed it. Then, you remember, there's this ninety-day delay or whatever it is before the bill becomes effective. Deukmejian comes in and, of course, he couldn't veto a bill that his predecessor had signed, so that's why it came in 1983.

de GRAAF: That reapportionment had the effect of further reducing in size your district, didn't it?

NEVINS: Right.

de GRAAF: It cut off the West Los Angeles part?

NEVINS: What we did is, we had a new member, Conway Collis, who lived in the Santa Monica area. So what I did was, I put him over there. It's a funny thing. His campaign thing was the BAD campaign, Berman-D'Agostino, and so they were supposed to have been the great people who worked on reapportionment. Howard Berman's brother, whatever his name is [Michael], had worked with [A. Phillip] Burton on reapportionment for Congress. You'd think that they would have given Collis a lot of advice on reapportionment. Actually, Conway had no concept of what reapportionment was all about. He had no idea what the mechanical problems were and how to do it. It's really not that hard. If you want to find out someday, I'll tell you how to do it. But I did it; I did all the mechanical work for the bill. Then, I had the Republican caucus check it out because I couldn't get the goddamn Democratic senate or assembly to do it for me.

de GRAAF: Is this in the 1970 reapportionment?

NEVINS: We're talking here about this 1980 one. You have to have it checked out mechanically because there's a problem of two people being in the same district. What do they call those? They call them census tracts. That's what the thing is, a census tract. You have to justify it so that you don't have two people in the same one and that kind of junk. You can't have any voids. So you have a program, which the Republicans have--it was legislatively financed--and so we made a deal with the Republicans to check our machine, check our program with theirs. How do you like that? They wanted to be in on the reapportionment to see how you did it. The only one they really did was ours because we couldn't get the Democrats to do it. Anyway, we got it done. They didn't object to it because we took care of Dronenburg. See, we improved his district a little bit. We gave him Mono and Inyo counties, which were more Republican. We couldn't have Kern; we probably could have given him Kings. But anyway, we gave him the back country and, of course, San Diego and Riverside, Orange, [and] Imperial counties. He was satisfied with the district, although he liked Kern County. We said, "Forget it," and gave that to Collis, who hardly knew where those places were. The only person that was dissatisfied with that plan on the board was Bennett. Collis would have liked me to give up more Democrats to him. I said to him, "Collis, if I

gave you more Democrats, then we'd create a district that a minority person can't win. I can make your district more Democratic but then I make it an Anglo district. You really want to be accused of making an Anglo district out of my district?" He didn't really want to carry that one, so that took care of that. Of course, a black did try to run; Nate Holden tried to run in that district. He never got his campaign together, but he could have won the district if he'd been nominated; there wasn't any question about that.

de GRAAF: This was when you decided not to seek another seat in 1986.

NEVINS: Right. He could have won the district, there's no question about that. And that's what I had in mind, was creating a district that a minority person could win. I don't want to go through all the harangue unless you want to spend the time on reapportionment.

de GRAAF: No. I was just curious as to why it hadn't been passed until 1983.

NEVINS: As I said, I had, in effect, absolute power in this area, so I could design it any way I wanted. I made decisions like that.

de GRAAF: You mentioned Conway Collis, who comes on the board after the 1982 election.

NEVINS: No. Mr. Reilly resigned, and he was appointed.

de GRAAF: Before the election?

NEVINS: He was nominated. But Reilly resigned, so he was appointed

to fill the vacancy. He was lucky because a lot of people that get into that have been defeated in the general [election], and he was in a close district. But his opponent wasn't able to make much out of that, so he won narrowly; he didn't win by very much.

de GRAAF: According to his bio, and a few other things I've read about him, he is posed as quite a, you might say, populist and activist type of board member. Was he really that much different from others in his open offices policy and trying to get tax participation and so forth?

NEVINS: He was very big on public relations gestures. If you read the paper, he's still on it. Yesterday, he was in with Elihu Harris, somebody from the Alameda County area, Oakland area, on this taxpayers' bill of rights. He's very big on all that kind of stuff. But, basically, he never got a real handle on what it was like to be a board member. He had all these other agendas that he was interested in, raising money for this, that, and the other thing. I don't think he ever realized what being a board member was all about. I think he's still having trouble with that. He's decided not to run again, made an announcement on that, which I would have told him never to do. He's one of these guys that makes up his mind about what he wants to do and then goes out and tries to find the facts to fit it. I find that somewhat difficult myself. He made up his mind that the board was antitaxpayer,

which I think is just about as far from the truth as you can get, and that he was going to look out for the taxpayer. He never did much about it, really. He went out, went to his offices and all that. Well, hell, you're supposed to go to your offices. Some of the things he did he should have been doing anyway, but he made a big noise about a lot of stuff. But he really didn't do that much. He'd come to meetings poorly prepared. In my opinion, he was not a productive board member while I was there, and I understand there hasn't been much change.

de GRAAF: Some new programs come to the board during the early eighties. One was the Hazardous Waste Act of 1982,<sup>1</sup> which, apparently, had virtually two different programs. One, you were to levy a certain fee on disposal sites, and the other, levy a certain fee on those who generated waste, and then, later on, those two got merged, sort of.

NEVINS: As I recall, this is one of these measures that was an industry-written bill. It was supposed to fit in with the federal program, the superfund. I'm going to confess to you that I never understood all the intricacies of it. It was

---

1. The basic definition of hazardous waste and the Hazardous Waste Management Council was established by A.B. 1543, 1982 Reg. Sess., Cal. Stat., ch. 89. The role of the BOE as the depository of site fees and formulas for the waste generation fees were set forth in A.B. 69, 1982 Reg. Sess., Cal. Stat., ch. 1244.

what Mr. Dronenburg characterized as a "cookie jar" tax. The board continuously went after the legislature on that. We got them because we could administer them inexpensively. But we said stuff like this is the pits, that you end up having a revenue measure tied to a program and you never know if you're getting the right amount of revenue or not. In this case, you had an industry that was hard to regulate. There were serious problems about whether we ever got the right amount of tax, although we ran a pretty good audit program and picked up a lot of tax. We certainly had some big fights with the industry people. A lot of it was on the interpretation of the language in the act, which was pretty weird. We tried to interpret it the way it was written and the way we believed the intent of the law was, and they always tried to say, "No, this is the intent," and they'd bring up a letter of some legislator that had worked on that, which didn't seem to tie in with what they actually passed.

de GRAAF: What were some particular issues, do you recall?

NEVINS: The first one was, "What is hazardous waste?" Then, "Who was a generator of it?" One of the ones that we had a lot of trouble with is oil wells. Are you familiar with the oil business at all? You should be. When you pump oil out of the ground, you get salt water. The salt water is just full of awful stuff, and you have to separate that from the oil. In Los Angeles County, they used to have a special line that

ran it down to Long Beach from all the wells all around. It's on the way down to your chancellor's headquarters. This is very poisonous, horrible stuff; you have to get rid of that. Getting rid of it has been sort of hit or miss in places like Kern County. The people who had had these wells said they shouldn't pay the tax because the people that wrote the bill thought that they weren't covering these people. Well, of course, it was poisonous and it was hazardous, so we had a lot of fights about what happened to that stuff, whether it was reinjected [into the ground]. If it was reinjected, we said, "You produced it. Even though you reinjected it, it's still subject to tax because it wasn't excluded." Somebody had to inspect to see whether you were doing it, and all that sort of thing. We had a lot of fights. I don't know whether those things got litigated or not because those issues were decided in my last couple of years. You don't always know what's going to be litigated until a lot of baloney has gone by. I might not have known or had a chance to find out. That's one of the issues.

Another one was flared gas. I don't know whether you've ever seen a big refinery but you see those flames on top? Those gases are not good for anything and considered a waste. Sometimes you're legally allowed to burn them but sometimes you have to separate all the bad stuff out and then burn them. There's a Getty refinery way up in northern

NEVINS: California someplace. We had an awful fight with them about this material that was under this act, and then, whether we should have a sales tax on it. God, it just went on forever. I don't remember all the facts, but it was miserable. Some of it was used to heat boilers. So we said, "There's a use tax on that." Some of it was flared. It seems to me we got involved with a hazardous waste dump. I don't know. I can't remember all those gruesome details. It's one of those kinds of taxes where you have to sit down, and you look at it while you're on the hearing and you can get on board. Then, there are so many loose ends out there that once you get away from it, you can't remember the stuff. I could get back on board in a few minutes, if you hand me one of those cases, and tell you why I did what I did. But I just can't remember offhand.

de GRAAF: But it does seem as though, bit by bit, the tax law is getting more and more complicated.

NEVINS: That's right, it was. All the time. All the tax laws are getting more complicated. That seemed to be what Americans liked, is complicated tax laws. You haven't got to the one on energy.

de GRAAF: The energy surcharge? Yes.

NEVINS: God, what a pain in the neck. That was designed by these bright young people who were all hot for the environment, and it just was terribly difficult to administer. I think they

finally got rid of that whole program but it was just a mess. The program was supposed to be implemented through tax credits in the income tax. I guess the credits were paid for by the tax on the fuel or something. I've forgotten what all the facts were. But it was just a zoo to administer. What would happen is that you'd get a credit for getting a water heater that met certain qualifications. In order to get the credit, you had to go to somebody ahead of time that said that this was the right thing for your house. Even though the thing you bought was the right thing, if this person didn't do it ahead of time. . . . I think you were supposed to have an energy analysis or something of your home. What would be the word for it? The gas company was one of the people that did it. If you didn't have it before you got the thing, you didn't get the credit. The bill was written so that that was the only way you could get it. Then, people would appeal to us, saying, "Gee, I did everything and I don't get it." We'd say, "Well, if you don't do this, you don't get it." Then, they'd do something that was like what they were supposed to but it wasn't approved by the energy system, but it would get the same result. They didn't get it. We just said, "We didn't write this act. It says if they don't approve it, you don't get it, period. If you don't think the act is sensible, we don't think it's sensible, either." [Laughter] "We don't think things like this should be administered this way."

de GRAAF: I'll bring one more, then I'll sort of bring them together. In 1984, there was the [Gwen] Moore telephone act.<sup>1</sup> It seems like it was an effort to, in effect, subsidize low-income people with basic telephone service?

NEVINS: Yes, that's exactly what it was: \$2.50 a month. In other words, if you were a lower-income person, you could have a phone that would give you twenty calls a month for \$2.50 a month. It would be a single line into your house. Lots of people use it for vacation homes and stuff like that. There was no means test; anybody could get it. The funny thing about it is that nobody ever used all the money up that's in the fund. The program has now been abandoned, and this tax, just like the 911, is now part of the telephone bill. You don't have a special tax for that anymore. Moore's thing was put in the rate, too.

de GRAAF: Is the state board now relieved of responsibility for either of those?

NEVINS: Those taxes were easy to collect. The Moore telephone tax, we just collected from the phone company. If they couldn't collect it from their customers, then we had to try to collect it. The customers would short out that, especially the 911, when it first came. Because there were a lot of

---

1. Moore Universal Telephone Service Act, A.B. 1348, 1983 Reg. Sess., Cal. Stat., ch. 1143.

counties [that didn't adopt it, at first]. And L.A. was one of the last counties to go into the 911 program. Since they weren't getting it, they didn't want to pay the tax. So we'd fight with those folks. On the Moore thing, the same thing. We never had as much squawk with the Moore as we had with the 911. Sort of funny, isn't it?

de GRAAF: Where does it get the name, by the way? Moore.

NEVINS: That's the name of the legislator, Gwen Moore. She was on the Public Utilities Committee, so she got to know quite a lot about things. At that time, the telephone company didn't want to be loaded up with these other charges. We thought it was just ridiculous. People that use phones ought to pay the charges that go with the phones. Nine-eleven, you know, be able to make an emergency call, you don't need a tax for that. Of course, there were a lot of exemptions from the tax. You could not collect it from the federals--they had sovereign immunity; it was weird. I think they've got rid of those. I don't know about the energy surcharge. But that tax credit program has been abolished, I know that.

de GRAAF: I think it has, yes.

NEVINS: I'm sure it has. But I think the energy tax is still there.

de GRAAF: The thing that strikes me is that after decades of more or less general taxes on everybody for everything, to characterize policies with few exceptions, suddenly, in the seventies and early eighties, you go into this whole series

of specialized [taxes]. Transit district taxes would be another example.

NEVINS: Bottle bills.

de GRAAF: Can you explain this reticence to use either the general fund or general taxations for these things? Instead, every time you have a cause, be it energy or telephone or whatnot, you create a separate tax for it.

NEVINS: I think you had a number of factors going with you there. One is that the governors didn't want to have any general revenue increases. In other words, it's something Deukmejian didn't and Jerry didn't. Jerry, basically, only passed one general tax measure during his whole time, and that was the gas tax increase of two cents a gallon, which went into place after he left office, literally. Like, he went out of office on January 3; the bill goes into effect on January 4. I'm not kidding, that's literally what happened. Then, Deukmejian, of course, was against all general tax increases. But both of those fellows would accept these specialized taxes. The legislature was more inclined to pass those, too, because they didn't want to get hung with general revenue increases. So you get the specialized tax to take care of the specialized programs of a specialized group. Bottle bills.<sup>1</sup> Well, the bottle bill really didn't affect

---

1. A.B. 2020, 1985-1986 Reg. Sess., Cal. Stat., ch. 1290.

very many people; it just affected wholesalers of liquor and soft drinks, as I remember. It was collected at that level because there weren't very many of them. They objected to it and all that. That program, I don't think, was in full swing while I was active. The bill was passed earlier, and a lot of the setup work had been done. But I don't think that was in place while I was in office.

de GRAAF: I don't think it was, either.

NEVINS: I think it went in just about the time I went out.

de GRAAF: I don't recall the annual reports through 1985-1986 mentioning it.

NEVINS: I think that's the way it worked because I don't remember ever being head to head with that one. I remember it being talked about for a long period of time, but I don't remember it being in power.

de GRAAF: Did the board make many protestations to the legislature about these?

NEVINS: Yes, we sure did.

de GRAAF: Because they do seem to have very much complicated the whole working of the board.

NEVINS: What happens is that the telephone company or whoever ends up paying these things, they just add that as an expense on their rate base, the expense of collecting the tax, so they didn't really care. They were inexpensive to collect. Say you collected \$1 million. You might spend \$10,000, \$15,000 a year, and that's it. Who's going to complain about that?

de GRAAF: The only tax which seems to really have been inefficient to collect was that [1976] timber yield tax.

NEVINS: Terrible. That was passed back when Jerry Brown was governor. That was a terrible measure. Everybody was so carried away with saving trees, and somebody had sold them the idea that if you had a property tax, he would cut the trees earlier. I don't think it had any effect like that whatsoever. Now, the small timber owners--meaning small tracts of land, not small trees--said that they were particularly hard hit by the property tax. But I never felt it was that big a problem. I could tell you how they could have avoided the tax, but I won't go through the whole thing. But there's a way. I just felt that there was just too much yakking about it. I felt the property tax actually wasn't that bad. And the costs we went through . . .

de GRAAF: Yes, something like \$13 per \$1,000 yield when most other taxes were 50 cents per \$1,000 yield or something like that.

NEVINS: I think it was \$13 per \$100. It was a very expensive revenue method, really expensive. It had so many artificial parts of it where you made these judgment calls, which had quite an effect on how much tax you were going to pay. It was weird.

de GRAAF: Now, is that one of the few of these specialized taxes that you had to set up a whole division in your staff to carry it out?

NEVINS: I think that was the only one we did. What we did, finally,

about the time I left, was, in the business taxes, we set up a whole unit just for all of these Mickey Mouse taxes. I think we had the tobacco, gasoline, 911, energy surcharge, all those were all put in one unit which, by that time, had about thirty people in it. You're talking, probably, collecting \$2 billion a year, if you added them all together. There was diesel fuel; there was a special tax on aviation fuel. I can't remember all of them. But you came pretty close to \$2 billion because, in those days, you got about \$800 [million] or \$900 million on gasoline tax, about \$300 [million] or \$400 million in cigarette tax. The rest of them, insurance tax, which is \$400 [million] or \$500 million, we didn't really collect that. We assessed it. I won't go through what that means in English because it's a waste of time. But we didn't do much in that one. You got them all there, and there was enough to have a regular unit to collect it, and we did.

de GRAAF: Now, dipping back into the middle of the Brown administration . . .

[End Tape 11, Side A]

[Begin Tape 11, Side B]

de GRAAF: There was prolonged litigation with some businesses over unitary versus nonunitary property. Now, how did that fit into the taxation system and why was it such an issue?

NEVINS: The Board of Equalization is the hearing body for tax cases

of the taxes administered by the Franchise Tax Board, which administers the personal income tax and the Bank and Corporation Franchise Tax Law. Now, the issue of unitary versus nonunitary comes about when you're trying to figure out what part of the income of a corporation that does business nationwide or worldwide is to be allocated. What part of the net income is to be allocated to California? That's the issue. Early on in the administration of these taxes, before Californians had one--I think when Massachusetts was the only state that had it--it was decided that certain kinds of activity would be considered to be held at the headquarters of the company. Income that would be in the headquarters would be if you owned stocks and bonds, the income from those would be attributed to the headquarters of the company. If the company's headquarters was in Boston, they would be attributed there. So what happened was that Standard Oil Company owned a big interest in a company in Saudi Arabia called Aramco, or Arabian-American Oil Company. This was a very trick company. The history is this: in about 1927 or 1928, Standard Oil of California discovered the greatest oil fields in the world by a factor of about 150. In other words, if you took all the oil in the world and put it in one place, this one field is 150 times bigger than all the rest of them put together. The lifting price of the cost of oil in Sauda Arabia was nineteen cents a barrel in about

NEVINS: 1960. In other words, a pipe fourteen inches in diameter under pressure from the well comes out at the end of the pier where the ships are and pours the crude into the ships. There's no pump, no nothing. That's what we're talking about. When Standard found the field, it was not a big enough company to develop the field, so it joined with Texaco, Standard [Oil Company] of New York--Socony, which is now Exxon--Mobil, and one other. Then, there was a single person of Armenian extraction who owned 1 percent, which is big money. So the issue, as I remember, had to do with Standard Oil Company of California trying to say whether they should apportion the value of that stock--Standard Oil's interest was, like, 10 percent--over the whole enterprise or have it taxed at its headquarters in San Francisco. The issue was rather complicated because the way Standard's ownership was, they were required under their 20 percent ownership to lift, as they use oil in the oil company's business, their 20 percent or any more that was offered them, if they could take any more than they wanted. This was Standard Oil of California, now known as Chevron, the principal source of crude in the world. They, of course, built tankers and refineries to take what's called light Arabian crude. It's a better grade of crude, by the way, besides the fact that there's more of it. They always lifted more than their 20 percent. There was another company in

NEVINS: what I call the Dutch East Indies, what you call Indonesia, called Cal-Tex, or Standard of Cal and Texaco, which had a 50 percent interest in a similar kind of oil field, so the issues were the same.

So the question is, should we apportion their interest in this field over the whole enterprise worldwide or to the headquarters? I owned 250 shares of Standard of California stock, so I didn't vote on it, but I did conduct the meeting. The board decided about 1980 to apportion the Aramco stock over the whole value. I don't think we did that on the Cal-Tex, but I know we did it on the Aramco. Naturally, since Standard's headquarters was in San Francisco, this had the effect of reapportioning that Mobil stock from the New York office to the California property, so naturally we got a lawsuit going with Mobil. I don't know what the status of that is. There's a peculiarity of the hearings we had. When you, the taxpayer, have a hearing from an assessment by the Franchise Tax Board before the Board of Equalization, you can win outright. The Franchise Tax Board cannot appeal. So when we ruled in the taxpayers' favor, that was the end of the line. Naturally, we turned down Mobil because it was the same issue, sort of reversed. So they're in court on the thing. I don't know where it is now. I'm sure it will be in one of the annual reports. I didn't follow it. You understand what I'm talking about?

de GRAAF: I understand so far, but there's a broader picture. Did California have a general policy of unitary reassessing multinational corporations?

NEVINS: That's what I'm talking about. You could take this income from this stock they own and assign it all to the San Francisco office and tax all the earnings on it, which were enormous. That stock was probably equal to the value of the company. I mean, it was very valuable; it was the real thing. We were talking about the years before the [Saudi] Arabian government took over Aramco, so we're talking about a very valuable asset.

de GRAAF: I just gathered from bits and pieces reading that this became something of a political football through the Brown and into the 1980s' administrations, that Jerry originally was all for California's unitary tax, then he took a trip to Japan and decided if we got rid of the unitary tax, we'd attract more multinational business. Then, after Prop. 13, he decided the money was worth more than the multinationals.

NEVINS: No. He stayed on his unitary [views] all the way.

de GRAAF: Did he?

NEVINS: Yes, he did. People who prevented him from carrying out his views were Bennett, Nevins, and Cory.

de GRAAF: Why don't you elaborate on that briefly, then.

NEVINS: Mr. Cory and I were not allies on many things, but we sure as hell were allies on this one. He felt that the unitary

method of assessing the corporate income tax was a reasonable formula, and it was easier to administer than the federal system--I can't remember the shorthand name of it but it was a miserable system---and that, really, when you looked at the overall part of the law, when companies are winners and losers over a long period of time, they came out better under the unitary system than the other systems. California, as you probably read, has a three factor formula. It's the percentage of employment in California to the total percentage of employment--it's usually measured in dollars; it's the value of the land and property in California as compared to the property in the rest of the world; and the percent of sales in California as a percent of world sales. Now, this information is readily available in these countries; we're not talking about information that they have to do anything very special to get. Most companies offer their financial records to the world on a worldwide basis. There are a few that don't. Mobil's one that doesn't. I believe Chevron has changed, but in the years in question, they offered it on a worldwide basis. In other words, they told you what their worldwide revenues were, everything. It was easy to get the California revenues; California employment was easy to get. California property was usually put in at cost so that you didn't have to go and do a lot of stuff to get current value. So these numbers are easy to get

NEVINS: and they don't require any arcane knowledge about anything. Whereas the other ones, where you try to get the cost basis--I can't remember just how the federal system works--but it doesn't work because the federals try to use our system to find out where they are and then go back to their system. We won't go through all that.

What companies argued was--and we're talking about Japanese companies in particular--that what we were doing was pulling profits out of Japan and into California because of the way the sales factor, in particular, worked, and that they had plans to open facilities in California and they didn't do it because of the way the three factor formula worked. We felt it was a bunch of bunk. Now, one of the problems that you have when you're a tax administrator, you can't talk about the other taxpayers. You know about the other taxpayers, but you can't get up in a public forum and say, "Well, here's Company B that's coming out like gangbusters under the three factor formula. Overall, when you look at all the industry in California, we're growing. We can't see that the tax laws are having any effect one way or the other. Why do you want to make this change and get into some more very complicated system?" The Japanese companies just lobbied the very bejesus out of the California legislature. Mrs. [Margaret] Thatcher talked to Reagan personally about this because England got involved in this on

NEVINS: this company, BATUS, British-American Tobacco in the U.S. They own all kinds of other businesses too, so Mrs. Thatcher would chew Reagan's ear, although Reagan himself had supported this tax measure when he was governor. He didn't fool around on it. He held out for a long time, I don't want to kid you. Then, finally, about the last year I was in office, they finally got to him. So he supported a bill, not very strongly, that got to the Congress. I don't think the Congress ever had any hearings on it.

By this time, California had a lobbyist. We got so we could fight with the big boys any day. We got all the other states on our side on this particular issue, although very few states really used the three factor formula the way we did; but they wanted to be able to. They didn't want any federal restrictions; that was why they were on our side. We put up with a lot of baloney from other states because we wanted them for this. This thing went on and on and on. The final resolution in 1986 was that California passed a bill<sup>1</sup> which gave companies election to go another way. But once they made the election, they couldn't unelect it. Water's edge, that was it; they could elect water's edge and not

---

1. Unitary Tax Act of 1986, S.B. 85, 1986 Reg. Sess., Cal. Stat., ch. 660, was the basic law setting such policies as the unitary fund and water's edge. These were amplified in A.B. 2815, 1986 Reg. Sess., Cal. Stat., ch. 974.

NEVINS: worldwide. But if they elected to go to water's edge, then they had to furnish a lot of information that they had never furnished anybody before. They had to furnish, in effect, their tax returns in all the other states; they had to furnish us all the data that they gave the federals. There was a bunch of other information that they hadn't been providing. The federals had the right to give us all the information they got in the foreign audits they were making. We, I think, got the right to make foreign audits to make sure that they weren't hiding assets. In other words, they didn't win much by going water's edge. The last I was talking to Gerald Goldberg, the executive officer of the Franchise Tax Board, very few companies had elected to go into the thing. I think one or two that had been originally involved in all the lobbying did it, but my understanding is their tax agents weren't that enthusiastic about doing it.

de GRAAF: So this issue sort of faded away?

NEVINS: Your friend Mr. Doerr was the one that wrote the bill, literally, and he put all these provisions in to sort of screw them up. So they couldn't say that nothing was done, but they didn't get much, either.

de GRAAF: One other thing that I find in the annual reports by the early eighties is concern about the underground economy and the amount of tax evasion that is going on. In your estimation, did this become a serious problem for the board or for California?

NEVINS: I think the people who are talking about underground economy in the literature you read about are talking primarily about income tax that's not paid on a lot of different kinds of activity: the growing revenue that was lost, say, on drug sales that should have had a sales tax. The board never was provided with the kind of legislation to really go after illegal activities like drugs, and we never tried to. The Franchise Tax Board did have that kind of authority because it paralleled what the feds have. But I think I could give a better picture of my views of what happened. If the sales tax rate is 3 percent or 4 percent or maybe 5 percent, you really don't have any real efforts to evade it or avoid it. People just don't want to spend the time to do it. But when you get to 6 [percent] and 7 percent, then you start getting the kind of money out there that's worth thinking about.

I believe that, as we were getting into the era where the antitax, the Jarvis amendment, the Reagan governorship, the Reagan presidency—I don't say that Brown was antilaw but he wasn't very pro law—you got an atmosphere out there where people said, "Why should I pay all these taxes? Why should I follow all these laws? They're so complicated nobody understands them anyway, and they're not going to go after an individual like me." So I think a lot of people have businesses where they don't have any real records; they just put the money in their pocket. I went to an antique store at

Christmastime. My wife wanted a little silver cream pitcher. I went to a new silver store, and they didn't have any, so I had to go to an antique store. I paid for the thing at the store that I found, and there wasn't the semblance of a cash register or any records or anything. You'll find a lot of businesses like that, and you know they're not paying their sales tax, their income tax, or anything. Now, you can go after these people, yes. And we do, a little bit, at the board but, basically, not very much. But we're more effective at it than the feds are because we're more accustomed to dealing with them. The feds really don't have any way—we're talking about the IRS, now--of really tracking down little businesses that are not employers. A lot of these business aren't employers, so they can operate indefinitely without ever getting caught. That's the underground economy we're talking about.

There's one other thing that's taxable which you wouldn't think about as a citizen. This is where employees of big companies steal the receipts from sales; they don't ring them up. You pay cash, they might ring up a no sale and put the money in their pocket. They may put it in the machine but then they take it back out again because they know how much it was. One of the Rose Princesses got caught on that one in Pasadena. But we feel that between 1 [percent] and 2 percent of gross sales reported in California

NEVINS: are underreported just on this alone: employee theft of the receipts of the sale. In other words, the merchandise changed hands. There was money for it. That revenue was subject to tax, but it never got reported because the employer didn't know about it.

de GRAAF: In late 1984, the board undertook, I think, something like a three-month tax amnesty, when all people who were delinquent, especially, I think, in sales taxes, could report without penalty, and then threatened a greater crackdown on these sorts of things. Did you, in effect, become more effective on cracking down on these violations after that amnesty?

NEVINS: My board, after looking at the thing very carefully--and the big motivator of this thing was the state of Massachusetts--became wildly unenthusiastic about the idea of tax amnesty. What we didn't want to do was get stuck in a situation, as they had in Massachusetts, where they had audits outstanding on various taxpayers, and then, when they had the amnesty program, these people came in to pay the amount under the audit. So you got the \$60 [million] or \$70 million tax they were talking about in Massachusetts, \$25 million of it was audited revenue they would have got anyway. So in California, when we had the sales tax one, part of this law, which was primarily aimed at income tax people, we said that if an audit was underway, you couldn't get any amnesty. My understanding is, the biggest amounts we

got in California on sales tax were some out-of-state vendors which felt that our audit crews were near. If they voluntarily paid it, they would avoid the penalties. I guess you had to pay the interest but you avoided the penalty. I don't think we claimed very much money coming from sales taxes. Now, the income tax people, they had audits out there and they counted those, but we didn't. So the Franchise Tax Board looked like it got a lot more money than we did. But the legislators were wild for the program; they thought it was a great idea and it fit in with a lot of people's thinking. Conway Collis was very much on board on this. So I gave him a chance to talk at a national conference we had in Reno about our amnesty experience. He followed it more than anybody else. I say the principal thing about it is that it got a lot of people aware that there was something called state tax administration; but in dollars, it just didn't amount to anything. We didn't get any billion dollars, anything like that.

de GRAAF: I think \$60 million was the phrase I read.

NEVINS: A big part of that, you'll find, is the Franchise Tax Board. I don't think the Board of Equalization got anything like that.

de GRAAF: The final aspect of this that I noted was also a concern about the problem of change of the use tax by a lack of reporting of change of legal entity. A piece of property

would change its use, in effect, by virtue, I guess, of a different company leasing it or something like that?

NEVINS: You're talking about sales tax.

de GRAAF: Yes.

NEVINS: There are two changes of ownership because there's a big property tax war--I don't know how it's been resolved--which was, Title Insurance & Trust Company as sold by Southern Pacific to somebody, and they've been sold again. Is that a change of ownership for property tax purposes? They're suing, saying it isn't. Just because 100 percent of the stock was changed from A to B, that's not a change of ownership. The board, and the assessors' position, says it is. It's being litigated; I don't know where it is right now.<sup>1</sup> On the sales tax, now, this is an issue that's been ongoing ever since I've been on the board, beginning in 1959. It has to do with the issue of, you sell your business--we're talking about an individual selling his business to another individual--and it has equipment and stuff like that. We had a rule, if the ownership was 80 percent the same after the transaction, there was no taxable sale. This follows a federal rule, a similar type transaction, so that we weren't off all by ourselves on

---

1. Title Insurance & Trust Company v. County of Riverside, et al. 48 Cal. 3d 84 (1989).

this. What we were trying to say is, well, if you brought in another partner, and there were five of you to start with, that's less than 20 percent; therefore, the ownership is 80 percent the same. Or if you had stock or a whole bunch of things like that, it wouldn't be a taxable transaction. People are always arguing about whether that was a sale of the company or not, and it's been litigated a number of times. I think the board has been upheld every time. I don't believe there have been any cases that went against us.

de GRAAF: So this was not a new issue in the eighties?

NEVINS: No. There may have been a case or something that deserves notice. I must say I don't remember one at that time. But all the time I was there, we were running into that one. It's a sort of technical thing that people on the outside wouldn't be aware of.

de GRAAF: The annual reports, for awhile, were making quite a bit of it. That's the reason I bring it up.

NEVINS: I just don't remember one at that time that triggered that particular measure.

de GRAAF: First of all, I think I'd like to get into the budget crises that came along in the early eighties. I'd like your own explanation of them. In 1981-1982, the last full year Brown is governor, there is a threatened deficit. They report that there is going to be a deficit, in the budget, and I believe

it's in response to this that the speed up of the sales tax is passed?<sup>1</sup>

NEVINS: We had a number of them since I'd been on the board. I can't remember when they all were but we had at least two.

de GRAAF: I think this was the first.

NEVINS: No. There was one prior to that, way back when Pat Brown was governor. They wanted a speedup there, and I believe there was another one here. It wasn't quite as big but it was still a speedup.

de GRAAF: One issue which seems to come out of this that may merit some discussion is the issue of supplemental assessment. What exactly do you mean by [supplemental assessment]?

NEVINS: A supplemental assessment goes to the property tax. This is putting on the change of ownership and the new construction. What happened was that. . . . This is during Deukmejian's governorship.

de GRAAF: It didn't occur under Brown?

NEVINS: No. I think he thought about it, but didn't do it. Then, the Deukmejian people needed \$900 million, and this is how they got it. This is adding it to the local budget and then taking credit for it at the state level. It's one of those deals. So the concept was. . . . You remember we were talking about moving the lien date and all that? You have a

---

1. A.B. 1253, 1981-1982 Reg. Sess., Cal. Stat., ch. 115.

You have a special lien date for new construction and change of ownership. Let's say that the normal lien date is January 1. If you sold the property on February 1, there would be a lien date of about April 1. I don't remember what the dates were, but that's the concept. You then pay for that change of ownership on April 1 and there would be all the way around the year. So that you were picking these transactions up during the year and then, at the end of the year, you'd just do it all over again. So you wouldn't get a long period of time where the change wasn't taxed. That's what they were trying to do.

de GRAAF: This became the subject of a case, the Shafer case,<sup>1</sup> in which fifty-one, I think, different county assessors were lined up against the ruling of the board on supplemental assessment. I was curious why that should have been.

NEVINS: It seems to me that they were trying to say that it was wasteful and they shouldn't have to do it. So they just sued us because we were the state body that you would sue on that issue. You remember I told you we were enjoined in all the property tax issues where you had a general problem assessment.<sup>2</sup> They didn't want to do it because it was unpopular, made people mad. So they used us. I think one of

---

1. Shafer v. State Board of Equalization, 174 Cal. App. 3d 423 (1985).

2. If the board did not become involved in a major case at the

the board members was on their side; I can't remember which one it was. I just told them in plain English, "Look. Governor Deukmejian wants some money. Forget it. You're not going to win in court." I don't know that it ever actually got litigated.

de GRAAF: I'm not sure. When I finished going through the annual reports, it was still pending.

NEVINS: I think that there was a collateral case, a private one, that was out there some place on the legality of the tax, and the District Court of Appeal ruled it was taxable and the supreme court refused to hear it. I think that had the effect of making a nullity of this one. It seems to me there was something like that out there.

de GRAAF: The other interesting aspect of the Deukmejian plan to deal with the second budget crisis of 1982-1983 was his idea of carrying over part of the deficit.

NEVINS: We don't deal with those.

de GRAAF: You didn't deal with that? I was just curious. I thought there was this constitutional ban against a deficit and I was wondering how they got around that.

---

superior court level, then either we might not know about the case at all until one party appealed it, or the county counsel or district attorney might mishandle it so that it wasn't appealable. Except on valuation issues which applied to a single county, the Board of Equalization must sue in addition to the county. The board can then use its expertise to support the statute and achieve a statewide result. [Footnote added by Mr. Nevins.]

- NEVINS: I don't know. What are you going to sue about?
- de GRAAF: But the board wasn't consulted or anything?
- NEVINS: That's a budget problem. We don't deal with those.
- de GRAAF: In your estimation, taking these two years of budget deficit combined, was this basically a matter of Proposition 13 catching up with . . .
- NEVINS: Yes, definitely. Basically, after Proposition 13 passed, Brown had a deficit every year which was paid for out of the surplus, and that's that. So the legislature passes these rebate measures and all that sort of thing--more costs--and made up the revenue. Then, they went out and passed. . . . If you look in the record of the past two or three years of the Brown administration, when he was governor, he just signed exemption bills like crazy. This is when the custom software bill got signed. I don't know. They exempted the goddamnedest bunch of junk that I ever heard of: bottled water. . . .
- de GRAAF: Did the exemptions particularly begin to encroach upon the sales tax?
- NEVINS: Yes, they did, and that's why you see the sales tax not growing as fast as the economy. Historically, it grew as fast as the economy. Gross product of the state of California and taxable sales have had a pretty steady relationship. The latter was a very good indication of where the economy was because the sales tax was about the same.

But as the exemptions cut into the tax base, taxable sales declined as a percentage of gross product. Now it grows less because things like custom software and bottled water are just exempt, which is just ridiculous.<sup>1</sup> I can't remember all the ones. There were an awful lot of them. In the art field there are some exemptions that he got through.

de GRAAF: Did the state board try to dissuade the legislature?

NEVINS: What happened was that some of the board members found out that it took three votes to tally the board's lobbyist to oppose the bill. If there weren't three votes, they could then go to the lobbyist for the group and say, "I kept the board from opposing the bill," which would have the effect of killing the bill, because then it would go through both houses with no opposition. The governor's office, particularly Brown and Deukmejian, stopped having legislative positions on things unless they were very important. You notice nowadays you keep hearing about Deukmejian [that] you don't know what his stand on a bill is until he signs it? That's that concept. To me, that's just silliness.

---

1. The custom software that caused the breakdown of the AT&T national system is now exempt from sales tax. The newspaper story talked about hundreds of thousands of lines of instruction. This is very expensive tooling. It is growing rapidly in amount and has been for the past ten to fifteen years. There is now a major revenue loss here. Tooling for the DC-11 airliner is taxable--very expensive, \$10 to \$100 million--but not growing. Everybody in business has some custom software. [Footnote added by Mr. Nevins.]

[Governor Earl] Warren and those guys used to call a legislator up and say, "That's a dog. I'm going to veto it." That ended the bill right there.

de GRAAF: One other thing. Collis, in either 1985 or 1986, apparently, backed a law that finally ruled that, in a case where a taxpayer got bad advice from the State Board of Equalization, the taxpayer was not liable for the erroneous tax. Before that, had the taxpayer been penalized even for acting on erroneous advice?

NEVINS: First of all, let's make it very clear: there never had been very much erroneous advice. Most taxpayers don't really write a letter saying, "This is my transaction. Is it taxable?" And then we get a letter back [to them]. We like taxpayers to do that more than they do. There's a lot of advantage to us to do that. That didn't happen very often. Now, there were one or two examples where it did happen. Well, the cause was where the taxpayer wrote us a letter and we wrote back. The problem was that the taxpayer who wrote the letter wasn't the taxpayer before us. It was another taxpayer, and he was relying on this letter that went to an unrelated entity. The thing that brought it to light--and the particular tax, I think, had something to do with the motion picture business--is that an employee of business B that was before the board had been an employee of business A and knew about the letter. The only thing is, the letter was

right on business A, and if business B had been doing what business A was, it would still have been right. But business B wasn't doing what business A was but it sort of sounded like he was. Well, he wasn't. Collis just went bonkers on that one. I don't think he won that case. He won some of them on that but not that one.

de GRAAF: But there was some sort of legislation in the mid-eighties that . . .

NEVINS: Remember, the board has this right to excuse a tax without appeal. If we knew that we had written a letter that was found subsequently to be in error, and the taxpayer appealed it, our policy in the past has been to just cancel the tax. That didn't happen very often, I don't want to kid you. When I was on the board, there may have been two or three of those, no more. Collis was primarily talking about the motion picture industry, which had a wildly complex regulation adopted for the whole banana. A lot of tricky language. What happened in the motion picture industry was that this regulation was adopted in about 1965 or 1966, and that was at the very end of the major studio era. There were still some major studios kicking around at that time, but the era of the major studio, essentially, was over. What you have now making movies is a whole lot of subcontractors. Instead of having one studio hire everybody's employees who manufacture sets, do the photography, do all the processing

of the sound, what you do is, you have a producer who rents the studio premises, hires photographers who characterize themselves as independent contractors, and people who build sets for you as independent contractors. All the sound editing is done by independent contractors. They're fabricating personal property for another person, and that makes it subject to tax. This has been, probably, the law since 1935. So what happened was, instead of the movies being conducted in the way that the regulations thought they were being conducted in 1965--we probably thought erroneously--we had a different kind of entity situation conducting the motion picture business in a way that, in every other industry, was considered taxable: fabricating personal property for consideration for a consumer. The consumer was the producer. You don't sell motion picture film; you lease it. The leasing of it is not subject to the tax. But everything you purchase to get it made [is taxable] unless you are the employer, which simply was not [true] of any of these people. He employed independent contractors to do all this work, and that's what made them subject to the tax under this regulation we had. Collis just could not handle that. He just thought that it was unclear and we were taxing things retroactively. Well, we weren't. Probably, our error was, we didn't advertise to the industry adequately what we were doing. Now, in the meantime--this is the thing

NEVINS: that complicates the issue---the sound industry, the people who make records, had gotten all these activities exempted by law before Collis got on the board, by the way. So you could be a sound processing company, and they all have names like JoJo Broom or Glen Glenn Sound, making a movie and being taxable, then making a record---doing identical work and being exempt. That's what you get into when you start having exemptions. You get into this thing where the person thinks he's doing the same thing. "Why should it be taxable when I'm making a movie and not when I'm making a record." I told them, "That's the way the law is, Buddy. I'm not going to sit around and defend it but that's the way it is."

de GRAAF: That's interesting. Looking back on the whole scene to today, you said earlier, when we talked about the immediate aftermath of Prop. 13, that you didn't think the Rose Bird position had any legal standing. Now, in light of the West Virginia case, do you feel that Proposition 13 might be seriously reexamined from the standpoint of inequity of assessment?

NEVINS: My view is, the U.S. Supreme Court, the present court, will not change Proposition 13, period. If you're a conservative court, why should you go out, rock the boat, tell the people of California, the biggest state in the union by a big margin, that the tax relief law they adopted in 1978 isn't legal? I just don't think that's going to happen.

de GRAAF: Do you know of any effort underway to appeal 13 on the basis of the West Virginia precedent?<sup>1</sup>

NEVINS: I'm not aware of any people that are talking about doing it. I've heard about people who will defend the present law, and that is the tax reform group. The remnants of Howard Jarvis's organization will defend it. I believe that the attorney general of California would present the California position, for a lot of reasons. Whoever takes it on has got a big thing on his hands. He would be setting a precedent, a real precedent. In West Virginia, as I said before, this was an administrative practice of the assessor; it was not sanctified by the statute. Here, you've got the thing where it's sanctified by the statute; it's been in place ten or twelve years. There's no squawk, basically, by anybody that I know of in California. You hear people talk about it once in awhile, but I am certainly not aware of any movement to change it. People write letters to the editor, but I don't know of any organization in place to change it.

de GRAAF: The only complaint is perhaps more against the spirit than the letter of the law, and that is that over the years since Prop. 13, we have had all of this stance by Brown and

---

1. Since this interview was done, in September 1989, a Baldwin Hills home buyer, Stephanie Nordlinger, filed a suit in Los Angeles Superior Court to invalidate the differential assessment provisions of Proposition 13. This suit is being supported by the Center for Law in the Public Interest. (Los Angeles Herald Examiner, September 29, 1989)

Deukmejian that they will not have any new taxes. The result has been a serious decline--so the L.A. Times, for instance, recently alleged--in the building of our infrastructure and the funding of some of our social programs. Now, in your estimation, is Prop. 13 the primary culprit there, or are there other things, like the Gann spending limit?

NEVINS: I think the Gann limit, which was supported by industry--I'm talking about big business and big industry in California--is more the culprit there. What I think is going to happen is that somebody's going to run for governor next time around saying he's going to do something about some of these things. People are going to say, "It's about time," and vote for him. I believe that the most critical one right now, and I can't imagine why the governor's playing around with it, is this gas tax thing. I think he's nuts on the gas tax. I think if he had supported an increase in the gas tax last year, when you could go out, literally, and buy unleaded gasoline for sixty-nine cents a gallon, if he had picked that moment to put the tax in, I think he'd be home free. No. Now, it's up to about seventy-nine [cents] to eighty-five cents a gallon at the lowest places, and he may have a little trouble. But I think Californians would pay the ten cents a gallon or maybe twenty cents a gallon to get the road situation cleaned up. I mean, what's it do for you to go out and sit around out on a freeway some place or go to Ventura

and have unfinished freeways leading onto two-lane roads? That doesn't make any sense. I think if you show people--this is an important point in my life--that you're giving them their money's worth, they'll take it. They won't argue with it. I think when you start to gold-plate it--the Santa Cruz campus of the University of California, for instance--you start to lose the people, I really do. I think you show that you're giving them their money's worth. That's essentially what I did on the board. I could go out and show you, "Well, I haven't increased my employees. I'm getting more revenue. I've improved my operations all around. I don't have a lot of squawks from people about what we're doing." That's what got me reelected all the time: I did a good job. I think that's what people want out of government: they want the people to do a good job. They don't want a lot of garbage. George Deukmejian has run around. He appointed [Edwin L.] Meese's brother [George E. Meese] to the Department of Motor Vehicles as director, a department that had serious internal problems; they just got worse under Meese. I notice the last time I got my license that things seem to have tidied up a bit. But you've got to deliver some good stuff. When you do that, people go right along with it. It's when you start to play games. I think part of the educational crisis in California is because most people think that school administrators are a bunch of jerks

NEVINS: that talk some kind of English that no one else understands, and the kids can't read or write when they get out school. You were talking about sending your kid to private school, or you should have. I sent two of my three to private school for three years. The rest of the time, they went to public schools, including the university. But I think that if you deliver a product, you're not going to get a lot of squawk and you can probably raise taxes, if it's necessary. But you've got to do it.

de GRAAF: That may be a very good note to end our interview on.

[End Tape 11, Side B]

[Session 5, April 18, 1989]

[Begin Tape 12, Side A]

de GRAAF: First, I'd like to ask you a question about Board of Equalization elections and run through your elections every four years. Now, in 1958, when you were first elected, Democrats won all four seats and also the controller. But the most amazing thing to me, in looking over the election, two of your candidates, Reilly and Leake, were not even contested by Republicans. Why do you think that was?

NEVINS: That was in the day of cross-filing, and so they won the primary and, in effect, got elected. They ran as a Republican and a Democrat.

de GRAAF: As you said earlier, Reilly and Leake were more or less conservative Democrats so would have drawn a lot of Republican support?

NEVINS: Mr. Leake, in particular, was what you'd call a conservative Democrat. He'd been publisher of a paper in Woodland, near Sacramento. The Woodland Democrat [Woodland Daily Democrat], I think it was called. He had been appointed to the job in the first place by Governor Warren. He'd been a

collector of customs in San Francisco, appointed by Roosevelt. I believe Roosevelt, maybe Truman. When the [Dwight D.] Eisenhower administration came in, why, naturally, he was out of that job. So he needed an appointment. He had supported Warren in the past, and Warren appointed him to the Board of Equalization to fill the position caused by the death of Senator So-and-So [Jerrold Seawell], who had died of cancer of the jaw. He was the senator who had been a member of the Board of Equalization by election. He was the one that invented the pension system that the constitutional officers have become so famous for.

de GRAAF: When you campaigned in 1958, were you part of a whole Democratic party ticket? That is, in 1958, at least, was your campaign integrated in with that of the party for other offices?

NEVINS: You have to go back and think about the fifties. Remember, we had cross-filing in those days, which meant that the Democrats' problem was to win the Democratic primary. So what happened was, the Democrats had to have some way of saying, "So-and-So is the Democratic nominee." Or, "He is the preferred Democrat." Or, "He is a Democrat," or anything you want to say. This is where the California Democratic Council [CDC] came into play. They invented this scheme of endorsing candidates for the Democratic primary,

and I was one of the offices that they endorsed in 1958 for Board of Equalization. That's the first year that they did it. They didn't do it in 1954 when they made endorsements that year. So I got the endorsement after quite a lot of hocus-pocus. The initial conference was up in Fresno, and most of the statewide endorsements and the endorsement for the what I call the Lynch district--the Second District of the board--was made at Fresno in January of 1958. We were getting late in the afternoon and there was quorum call. We didn't have a quorum, so my endorsement didn't go through. But what happened was that Senator Richards was up for reelection, so they decided to take the county convention that would endorse Senator Richards, a great hero of the party, and make it into a convention for the Fourth Equalization District at the L.A. Hilton, and we did that. The dragon lady, Carmen Warshaw, had a candidate that she supported, but I got the endorsement. It was on a Saturday. I think I was endorsed about three o'clock, and I drove right off to Palm Springs where there was a big Democratic meeting on. Then, my wife and I went down to Imperial County, and that was the first time I talked to a newspaperman. It was down in Imperial County, in El Centro. I can't even remember the man's name but he eventually ended up being publisher of the Palm Springs paper. We always were friends. We sort of got onto "How do

NEVINS: you talk to a newspaperman? What are they interested in?" All that sort of thing. They're always asking why you're running, so you better have a good reason.

de GRAAF: Once cross-filing was eliminated, was there still this endorsement of Board of Equalization candidates?

NEVINS: There were endorsements for most districts. As I recall, you had to get 60 percent of the votes at the convention, so you wouldn't have just a bare majority and then have a lot of soreheads out there. That was the idea behind it. The California Democratic Council endorsed [board candidates], I know, in 1962 and 1966, 1970, 1974. I don't remember when the last endorsement was I went for. The last time I went to CDC--I must have gone in 1982 because my wife and I drove to Fresno--it was sort of a dinky little convention. That's the first time I got a hint that I might have a serious opponent in that election, which we'll come to at a later time in this interview. But I believe I got the endorsement every time. I never had a serious opponent in the Democratic party until this one.

de GRAAF: Once you had gotten the endorsement and the campaign was underway in 1958, was there much mutual campaigning? Did you make appearances with other Democratic candidates?

NEVINS: That's what we did. The endorsed candidates tended to work together, other than Pat Brown. All the rest of us campaigned together. We tried not to have more than, say,

two of us at any one place because the feeling was that it would detract from the publicity. If you had them all there, then the governor would obviously get it all. I believe there was one place we went once early on in the campaign, and Pat sort of shooed us all away. He didn't let me on the stand with him until the Saturday night before the election in November. It was really pretty weird. Yet, all of these people were going to win, and he must have known that from his own polls. But instead of embracing us, he sort of kept us away. It was a thing hanging back to the cross-filing days, the feeling about Democrats. But the rest of us did. Clair Engle was very helpful to the rest of us. We tried to help him as much as possible. Stanley Mosk liked to campaign with other people. Glenn Anderson, in particular, was very helpful. He was running for lieutenant governor. He'd been elected to office before. He'd been an assemblyman, a mayor of his town, Hawthorne, and I believe he'd been a state senator once. He was particularly helpful to people like me who just didn't know their way around, and he helped us in his area, which was the southwest part of Los Angeles County. In fact, he had a day in the district where we started at six-thirty in the morning and went on until eight. We went to houses. He went to every house, which was around seventy of them, and then he had two other teams of candidates who would go before and after, so that

NEVINS: the people at the house party would have somebody to talk to while they were waiting for Anderson to show up. One of the people there was Richard Floyd. He drove me in that.

[He's] now an assemblyman.

de GRAAF: Did this association with other major party candidates continue in later elections?

NEVINS: We had a consolidated headquarters in 1962 in Hollywood. In fact, we had a consolidated headquarters in 1958, on 301 South Vermont Avenue. But the Brown people never did anything there; the rest of us all had a base there. I believe Clair Engle did actually use his base but he had a campaign headquarters about a block away, and we worked very closely with him in the campaign the whole time, knew their people well and got along fine. Then, we had a consolidated headquarters in Hollywood, on Hollywood Boulevard. It was sort of a grim neighborhood even then.

de GRAAF: That was in 1962.

NEVINS: In 1962. That's where we got to know Bert Betts [state treasurer] particularly well. He had his southern California headquarters there, and we had ours. The other candidates didn't use the headquarters as much as we did but the concept was there, that we all campaigned together. But that was our headquarters, in Hollywood, for the whole campaign.

de GRAAF: How about later campaigns, 1966, 1970, and so forth?

NEVINS: I'm trying to think about 1966. It seemed to me that we were all friendly and that sort of stuff. I don't think most of us realized we were in for a great disaster. The campaign started out pretty well, as I remember, in 1966, and then people seemed to get bored with Pat, and that seemed to rub off on the rest of us. The campaign seemed to me, it was at the very end that you got the feeling that things weren't going well, like the last couple of weeks. But as you can see, I lucked out on that one, maybe because nobody really zeroed in on me. The opponent, [Frank] McCarty, was just a nonentity. I don't know how he happened to get the Republican nomination. I never knew much about what his political position was. I never had any reason to need to know.

de GRAAF: One other interesting phenomenon of your early races: until the 1971 reapportionment, your district, judging from the votes, seems to have had from two to three times as many voters as the other Board of Equalization districts. Was this ever taken into account in your receiving party funds?

NEVINS: No. This is one of the anomalies of the thing, that I got as many votes as all the rest of the candidates for the other board seats put together. At the time, the California State Senate was very badly apportioned. You had a district that had three little counties with about 2,300 people in them, and then you had Los Angeles County with 3 [million]

to 4 million people, whatever it had in those days. I guess it had around 5 million. People in northern California thought that was perfectly all right. There wasn't any desire to reapportion the senate in 1961, therefore there was no effort to reapportion the board because the same principles would apply. So nothing happened on the board in 1961. I think the thing that made it go later on was that people were afraid there would be a court ordered reapportionment, and I don't think they wanted to do that.

de GRAAF: But you never got any extra consideration from the party?

NEVINS: No. It's hard to tell people on the outside but the party doesn't give you any money. You raise your own money.

People coming into politics seem to think, once I've gotten a party position, I'm going to have all this money come to me. Even Jerry Brown is having some problem with that idea right now. But that's not what happens. The party just is not an effective money raiser. About all the party does is facilitate interchange of ideas and stuff like that. You get to meet people easier. It's sort of a forum to get together, but it doesn't bring money. It doesn't bring, really, a lot of support. That's one of the strange things. Some people in the party will help you. I mean, you can go to their districts, and they will help you campaign in their district. Some of the legislators were very good about that. Some of the challengers, people who

were running against a Republican incumbent, were glad to have an outsider come in and travel around the district with me. I had that happen in San Diego County and a couple of other places a number of times, people who weren't in, trying to get in, glad to see you and met you through the party. But money? Forget it. You raised your own. In fact, one of the things I did as a candidate, I'd get contributions at the very last part of the campaign, which is a terrible time to get money; you can't do anything with it, really. So I used to give some of my money to other candidates who I knew were in a hole.

de GRAAF: The days when you could do that and not get in trouble.

NEVINS: Nobody thought it was bad in those days.

de GRAAF: What was your main source of campaign funds through your several elections?

NEVINS: We were sort of the "good government" guys, so what we tried to do was go to people who we felt were interested in good government. Remember, we were raising rather small amounts of money. We're talking about \$25,000, \$30,000. If you had dinners and other gimmicks going, you could raise that kind of money without great difficulty. You had to work at it but you could raise that without spending the whole damn campaign worrying about it. You'd have an initial expense of setting up a campaign office, which, in those days, was \$4,000 or \$5,000. You'd pay somebody \$1,000 a month to be at

the headquarters, and he'd probably run up \$2,000 or \$3,000 worth of telephone bills. So maybe \$10,000 or \$12,000 would pay for the campaign headquarters, which was used primarily as a place to plan the use of your time. We tried to keep as much of that as we could out of the board office. You couldn't help but have some of it rub off on the board office because you had to campaign when you weren't doing board work. But, basically, we had people at the headquarters to plan your time, and that's what they did. That was the day of the district type of campaign, where you go out, you call on the newspaper, you talk to the Rotary, and you'd go see a mayor or a city council member or a city manager, go to a school, do whatever was appropriate in the district. Go to some dinner, meet with Democrats, that kind of stuff. That was your typical day, and your staff set that up. That's what their job was, was to set that up. You'd try to get some publicity out of that. Maybe you'd try to raise a little money, try to get with the local people. You did things like that in Riverside County, San Bernardino County. We're talking about in the lower depths of these kinds of things. Then, if you were going to do the outside of those counties, you take a two- or three-day trip and go to Barstow and Needles and Blythe and all that stuff. It was worthwhile doing that because candidates rarely went out there, and it helped me carry those counties.

NEVINS: I always carried San Bernardino County. One time, every Democrat in the place was defeated but me, so it was worth doing.

de GRAAF: As your campaigns went on and television became more prominent, did you ever use that medium?

NEVINS: Yes, we did. We used it in 1982. We used a ten-second spot, and we got a lot of bang for the buck out of those. I've told a lot of other candidates that that was a big deal and that you couldn't go wrong. I think the time costs about \$200, something like that; it's not that expensive. So what you do is, you buy 100 spots. Your production cost for making a spot is about \$10,000, even a ten-second [spot]. It takes time. Every millisecond is minutes to those people. It takes doing. It took us about a month to make that spot, a lot of work. But it got made. We bought the time, and a lot of people saw it. This is in 1982, after I won the primary rather narrowly, 39 [percent] or 36 percent or whatever it was. We felt that we wanted to win as big as possible in the general. We didn't want to just go on our momentum; we wanted to add to the momentum. So that's why we put on a stronger campaign than we needed to, just to deal with that problem of having looked poorer in the primary.

de GRAAF: Had that been the first campaign in which you used television?

NEVINS: That's the first one I used television. In the early days, you used to get on news shows. Baxter Ward would interview people like that. He was a newscaster and he would tend to interview people like me. You could get on some weird hour of the day. Television today is totally different than it was in those days. The studios were really looking for ways to fill up time, so what they were doing is trying to find people who were interesting or there was some current value in interviewing them. So they had shows where that's what they did: they just interviewed people like me. So if you knew who the person was putting it on, you could get on the show. Of course, you can't do that anymore. Everybody in the world wants to get on. It's different. But in those days, it was pretty informal and you could get on. The same thing applied in radio. Radio had a lot more news shows then than it does now. You were just talking about coming here listening to KFVB. In those days, there were news stations, but every station had news. So you could get on their news show somehow. There was some hanger you could get on. People have the idea that a radio station is some great big operation. Most radio stations have an engineer, a clerk who answers the phone, and an announcer who does everything. That's the typical thing. So you call on the station, and the guy is rolling a record and he comes out and talks to you and goes back and rolls the record. Then,

he comes out and grabs a mike and starts talking to you, and you're on the air. That's happened to me quite a number of times. So you took advantage of all those things. The weekly papers were all over the place in those days. They still are but they're not quite the same today as they were then. They all used to try to make some effort to print news and to deal with current events. So you could get a story in a weekly paper if you got it to them by Monday. That's the critical thing: get it to them by Monday.

[Laughter]

de GRAAF: So you made a lot of use of weekly papers.

NEVINS: We made as much use as we could of weekly newspapers. Usually they were read by the kind of voters we were after. We're talking about older voters, people who didn't have a lot of money. The papers were thrown; that is, they were free. You'd be surprised, a lot of people read those. Especially in a part of L.A. County, in the Echo Park area, that was a very effective bunch of newspapers. They're still there, by the way. But they were very effective. To get two or three little stories in the campaign, that was very, very helpful. To get endorsed by those newspapers was very helpful.

de GRAAF: In the 1962 election, by this time cross-filing is over, I believe. Yet, still I find the Republicans lost two seats. Again, I believe, it was Reilly and Leake uncontested. How do you account for that?

NEVINS: They just didn't feel it was worthwhile running against them. Leake had this overwhelming support of the newspapers in his district. He had been president of the California Newspaper Publishers Association, knew them all very well, was well liked by them. It would be very difficult for a candidate to mount any kind of campaign in the district he had. If you recall northern California at that time, a whole lot of little communities with a single newspaper or county paper that covered the area. He was close to all those people who ran those papers. He had a man as his deputy that was very effective in covering those areas, so that Leake's presence was felt throughout his district. He was a great letter writer. He was one of those people that had a typewriter right at his desk and wrote letters all the time. Lots of them got published in these papers. So he kept in touch with everybody; he was very good at that. Reilly had a lot of things going. He was big in the Moose [Lodge]. He had run for mayor in San Francisco. He didn't do it while I was on the board. I think he'd done it just before I met him in 1958. He was well known in his district. San Francisco dominated his district, if you look at the map. The other communities didn't really have much going for them politically, at that time. Of course, things have changed now. But people didn't want to run against him unless they had a lot of money and a good issue. He was

pretty good at making himself hard to hit, let's put it that way. So that applied to that.

de GRAAF: You ran against James Flournoy. Do you recall him or his platform?

NEVINS: It was Jim FlourNOY. He called himself Jim FlourNOY, as opposed to Houston Flournoy. Flournoy was a black Republican who had a campaign headquarters at Olympic [Boulevard] and Vermont [Avenue], I believe it was. Apparently, the building was to be torn down or moved. It was a very conspicuous building. It was, of course, before the Santa Monica Freeway was built. So every time you drove down Olympic, you'd see the Flournoy headquarters. Flournoy was a very pleasant, nice guy, and he thought he was going to do pretty well. He got good coverage in the papers and was doing pretty well, and then he made a mistake. He went down to Orange County and got his picture taken. That was a mistake. You couldn't be black and win in Orange County in those days. Once he did that, I figured I was going to win. We had campaigning down pretty cold by then. We knew what we were doing. I'd been an incumbent for four years, so we were getting a lot of publicity. But I can remember the critical thing in that campaign was, there was a landing in Lebanon or some crisis. It couldn't have been Lebanon.

de GRAAF: The Cuban missile crisis.

NEVINS: The then Republican senator, I remember, had his picture

taken getting in a flight suit to get in a fighter plane to fly back to Washington.

de GRAAF: Would that have been [U.S. Senator Thomas H.] Kuchel?

NEVINS: Kuchel. And the campaign was over right then. What happened was that all incumbents were reelected. That was the effect, whether Republicans or Democrats. People didn't want to rock the boat. I remember Richard Richards was running for U.S. Senate against Kuchel, and he remembers that. I remember one of the last times I saw him, we talked about that damned picture. [Laughter] He said, "That was it. It was all over when that happened." So he never became a U.S. senator. Kuchel, as far as I know, is still alive, and you should interview him.

de GRAAF: Do you recall that, aside from the automatic reaction of Orange County, race was any factor in that 1962 election?

NEVINS: Obviously, as a Democrat depending heavily on the black vote and minority votes generally, we didn't make any issue out of it. So our position was just to play it real cool. We played that we'd been an active incumbent and we saved money and improved service and all the other good things that you do when you're in office and kept going on that. We were hoping that Pat Brown would defeat Nixon. Although Nixon was a strong opponent for Pat, he didn't really have a feeling for state government stuff. Like, he called the state capitol the state house. That was right at the

beginning of the campaign. That might have been an appropriate word someplace else but it wasn't appropriate in California, and he made a number of mistakes like that. I don't think he really had his heart in being governor. What he really had his heart in was being president, and he hoped to use the governorship as a springboard. I think people just weren't that enthusiastic about that. But the campaign was sort of laggard. I remember it was awfully hard to make it go. I remember once I was in Hawthorne, of all places. It just seemed to me that we were slugging it out and not getting anywhere. But the minute this flight suit thing came, all of a sudden everything was different after that. That was about two weeks before the election, as I remember, a very short time before the thing.

de GRAAF: Finally on Flournoy. Is that the same one who ran against Jerry Brown for secretary of state in 1970?

NEVINS: Yes. He ran for a number of offices. I think he ran for controller. He's run for three or four offices. When Reagan was elected governor, he appointed him director of the Department of Employment, or something like that. Then, he got on the Employment Appeals Board, which was paid very well. He was paid more than me quite a bit of the time. He held various appointive offices. He may even have one now. He's been very good at getting them. His wife, apparently, was somebody. I never did really meet her. If I met her, I

don't remember her. But she had a very good reputation. She was a principal of a school and well known in the black community and the educational community. Everybody liked her, and I think that's one of the reasons he did as well as he did. I notice that she's died. I haven't seen Jim for an awfully long time. But he could very well have an appointment in this administration because he is adept at getting them.

de GRAAF: Were there any outstanding issues between the two of you that you can recall?

NEVINS: No, I really can't. I haven't thought about that campaign for an awfully long time. I think the main thing was that I was an incumbent. I think the people of California at that time were not used to having the Democrats stay in office. You remember that Culbert [L.] Olson only had it one term and a disastrous term at that. We were concerned that we would be tagged as radical, left-wing nuts. That was a concern, at least in my campaign and, I believe, in Cranston's campaign. We wanted to show we were steady people, the kind of people who should be kept in office because we were very good fellows. That was the atmosphere we were trying to create. Remember, the press was very Republican in those days, the Times, in particular. This is before the Times that you think about today. The L.A. Times was a pretty awful paper. The Examiner was just about as

bad. So we had to keep our noses pretty clean. We always wore suits.

de GRAAF: The 1966 election, generally a disaster for Democrats in California, yet, again, all four Democrats on the Board of Equalization won. Do you feel that a lot of people didn't consider the board a partisan office?

NEVINS: I think that's certainly part of it, that they didn't think it was a partisan office. I think we didn't conduct ourselves in a very partisan way. It's pretty hard to be partisan collecting taxes even if you want to be partisan. Pat Brown had always distanced himself from us in one way or another, so when he went down, the stuff didn't rub off that much on us, although it rubbed off on me more than the other board members. I don't remember whether the others all had opponents again. Did they?

de GRAAF: I think they did this time, yes.

NEVINS: Did they?

de GRAAF: Yes.

NEVINS: But I don't think any of the people's opponents did much.

de GRAAF: I'm wondering if they were fairly weak or unknown at that point in time.

NEVINS: I don't recall any of the opponents amounting to much, I really don't. I can't remember Leake having an opponent at that time.

de GRAAF: I think they all did have opponents. I'll look that up.

Yes, the Republicans did run candidates in all the districts. Did either Reagan or the Republican party try to include the Board of Equalization in its tickets?

NEVINS: In those days, as now, you had different television for northern California and southern California. Reagan did have a thing where he had all the other Republican candidates, and he did have McCarty on his show. This was two or three days before the election.

[End Tape 12, Side A]

[Begin Tape 12, Side B]

NEVINS: It seemed to me at the time that the Reagan people were floundering. But I believe I'm wrong on it. I thought the campaign went against Pat, again, toward the end. Pat came on as a guy with a whole lot of programs and he talked a lot, and people were tired of him; they wanted a change. Reagan represented a change. I think Pat's loss, which turned out to be rather a large one, carried through all these other offices. The only one to which it didn't carry was his appointee as attorney general [Thomas C. Lynch]. Keeping in mind I had the eight-county district then. I remember both of us met at the inauguration and said, "A miracle is the only thing that brought us here." [Laughter]

de GRAAF: So you think it was Reagan's last minute surge, more or less, that let McCarty give you such a close race.

NEVINS: Yes, because McCarty himself had virtually no campaign. He

was in the truck brokerage business, and we were never able to figure out why he ran, what he was going to do on the board, what was on his mind. We knew that he didn't have much of an employment record. I just can't tell you very much about him. He did announce from San Diego that he had won about eleven o'clock on election night. I believed he had won, too. I went home and got to the office the next morning at eight-thirty. I had my office here in Pasadena by then. My deputy had gotten up early, about six-thirty, and telephoned all our people in the different counties that we didn't have the results, and she got the results which showed that I won and Cranston lost. I had the job of trying to find Cranston, who was on a plane at that point. He was on a DC-3--I don't know why, because they really weren't that common at that time--flying from Los Angeles to San Francisco. I had to tell his campaign in L.A. and San Francisco to make sure he knows he didn't win. He was ahead late at night. He lost on the L.A. County results, which came in about four or so in the morning and some other results around the state that came in very, very late. L.A. County vote tallying was very slow--slow then, slow now. No change; it's still terrible. I don't know why it takes so long in L.A. County; it just does. You've had some problems in Orange County. But you didn't in those days. They used to just, bango! You'd have them by ten, eleven o'clock.

NEVINS: What they did in those days, in the hand counting, they would try to get certain key precincts in, and you could tell whether you were going to win or not by what you did in those precincts. Now, you get these results and you don't know where they come from or anything about them. You can't make any judgment from the results you get. In those days, you knew where they came from. You knew whether you were going to win or lose. If you got a big enough margin in such and such a thing, you knew you were going to win the state. If you only lost Orange County by 10,000 votes, why, hell, the rest of the state was in your hand.

de GRAAF: One final thing: did the closeness of that election in any way influence you or the Democratic party as far as reapportioning your district was concerned?

NEVINS: I don't think that had anything to do with reapportioning. The reapportionment of the board came about because the senate got reapportioned, and the machinations of that are beyond me. I can't tell you all the gimmicks that went on in that because they were very extensive. There were pensions and buying districts and, God, it was a real mess. A couple of my friends were defeated. [James A.] Jim Cobey was one of them, a state senator from Merced and whatever the other county he had [Madera]. He got combined with a Republican and, the way the district was set up, he got defeated. Quite a few of the old-timers were defeated.

de GRAAF: You're talking about the reapportionment that took place in the mid-sixties under the supreme court.

NEVINS: Yes. I think the first election that we had on it was . . .

de GRAAF: Was 1966.

NEVINS: No. It was later than that.

de GRAAF: I know the reapportionment plan was ordered by the court in 1965 and, I believe, passed by the legislature very late that year.

NEVINS: Well, maybe that's right, 1966. We weren't reapportioned, though. We were reapportioned on the decennial reapportionment. But the forces that had gotten the senate reapportioned affected us. I think the thing that put it through was that the board members agreed that we had to reapportion. They got together behind my back. They wanted to get rid of me.

de GRAAF: The other Board of Equalization members?

NEVINS: Oh yes. So they created a district for me that I couldn't win. It had San Diego [County] and Orange County, and it did have a little piece of L.A. County. Then, they took the good parts of L.A. County and put them in their district. So what happened was that this is the bill that came out of the senate in the summer of 1971. At that point, I'd run against Jarvis, and I'd hired a guy named Joe [Joseph R.] Cerrell to handle the campaign. When I was going to run against Jarvis, I had to change gears because he was looking

at the 50.1 percent vote that I'd gotten in 1966 and thought, gee, I can beat this guy Nevins. He wasn't a well-liked Republican; I don't want to kid you about that. In any event, I'd hired Joe Cerrell. Joe Cerrell had done some lobbying over time, and when the results of this 1971 reapportionment came out of the state senate, handled by his friend and my friend, Merv Dymally . . .

de GRAAF: You're talking about Senate Bill 19 that Dymally was sponsor of?<sup>1</sup>

NEVINS: We decided we'd change that bill. So what we did was we found out where the numbers were and what the mechanical procedures were that we were going to have to follow. It's funny but D'Agostino, of BAD campaigns, was the technical person involved with the reapportionment, if you can believe it, for the assembly. He had some room some place, or he had a key in it, and we went out and designed new districts. The legislature, at that time, was in session up until November. The amended bill came out on a Monday, and my deputy flew to Sacramento on campaign money, not state money, and she happened to see one state employee up there who didn't really tell everybody she was there. She went out and worked on the mechanics of getting the district

---

1. S.B. 19, 1971 Reg. Sess., Cal. Stat., ch. 1796.

together that we did finally have. You have to be on board a little bit on reapportionment but one thing is, you can't have islands in it. In other words, everything has to be contiguous. Our theory was, we were going to have a district that kept only one county and one city in the whole state. Of course, the county would be L.A. and the city would be the city of Los Angeles. The city of Los Angeles would be the city of Los Angeles. The city of Los Angeles, you look on a map, is a very strange-looking city, so that nobody could argue with you about cutting it, although there's a way to do it without cutting it. But we decided not to go that way. So she did all the things to get them [Board of Equalization districts] within. . . . We had to get, like, .1 percent of each other in population. You had a very small margin in those days. I think now you can have up to 10 percent but in those days it was very small, literally .1 [percent]. It was close, but you could do it with the other districts. The other guys all had full counties. You just juggle little mountain counties around until you've got the percentage down, and they were so small it was easy to do. There wasn't any problem with them. On a Monday in Sacramento, this bill [S.B. 19] got amended. They had a hearing in the back of the assembly chamber for the adoption of the amendments. The bill was adopted by the assembly. Remember, this was a senate bill. So then, of

NEVINS: course, it had to go back to the senate. It seemed to me that the board member that got mad about it was Lynch. He went up there. I don't know if he was heard in the assembly or the senate because we were all down here. This was done by remote control. Anyway, the bill went out and was signed by the governor, Reagan. The reason he signed it was that it met these things. We didn't cut things out; we didn't have strange looking shapes. It was the only reapportionment bill he ever signed.

de GRAAF: I was going to say, this is a unique bill for the Board of Equalization, wasn't it?

NEVINS: The only one he signed.

de GRAAF: The legislature, he vetoed, and that dragged out until the 1974 reapportionment, didn't it?

NEVINS: I don't know. I lost touch with all that stuff because I wasn't affected by it. It was one of those political triumphs that I had. Walter Karabian was the one that put it together in the assembly side. He, of course, played a similar role in 1981. He wasn't in the legislature but he was very close to Willie Brown. We had a difficult time there. Mr. Bennett wanted to have San Francisco in his district, and we told him, "If you do that, you make the other district Republican for sure. Maybe you're better off not having San Francisco." It took a lot of huffing and puffing to get him on board on that, and he finally bought

it. I think his problem was, he couldn't handle the gay vote. But his objection to the plans kept the 1981 bill from flying until, again, way down in December. Finally, we got our bill hammered together. This time, instead of using D'Agostino, the Republican caucus had been provided by the legislature with the machinery, the data processing of the census tract to do reapportionment, and they wanted to have some practice on that. We were having a fight with the senate side. There was a guy. . . . I can't remember what his name was. It seems to me Shapiro or some name like that. On the assembly side, there was another thing where we Democrats couldn't use their machinery. So we made a deal with the Republicans that we would do our work by hand and then we'd have them check it to make sure our numbers came out right and we had no islands because we were really worried about the island bit. We were trying to take care of Collis's apartment, which was in Manhattan Beach, so we had to reach down the coast and grab this apartment around the airport. I mean, it was a lot of hocus-pocus. But anyway, the Republicans were delighted and kept their mouth shut, did it all. We got our bill technically together correct. The Republican on the board liked the district because it gave him whole counties. He had to lose Kern County, which he wanted, but he couldn't keep it because it would have made his district too big.

de GRAAF: You're talking about Dronenburg.

NEVINS: Yes. So we gave him Mono and Inyo counties, and he objected to them on an area basis. I said, "Ernie, if you don't get 80 percent of the vote in those counties, there's something wrong with you. You can't get 80 percent of the vote in this other thing, and we can't cut Kern County." By this time, cutting counties and cities was a really big issue, real big, so we still had the same rule, part of L.A. County being in with L.A. city, and no one objected to that. We never heard anybody ever say, "Gee, you couldn't do a district where you didn't cut L.A. city." You could, but I didn't do it. We get our bill going. It gets to the last house. Then they amend the assembly and the congressional bill onto our bill. Jesus! Of course, the legislature goes out of session. Jerry signs this thing, like, January 3 or something like that, some weird time.

de GRAAF: So your bill did not wind up as a separate bill?

NEVINS: No. We got all the others amended onto our bill at the last minute. Dronenburg just about had a baby. He was about ready to go public. We said, "Ernie, look. We got our bill. This is the only bill. Pray. That's all you can do at this point. It's off in space." It got signed, and that was it.

de GRAAF: That was Assembly Bill 2 that was carried by [Richard] Alatorre?

NEVINS: Yes. He was the chairman, a hard guy to deal with. But he was part of the scheme. He was very close to Joe Cerrell and Karabian. He [Alatorre] succeeded Karabian in the assembly, and he'd been Karabian's assistant. The politics of this is really weird. Karabian was very close to the speaker, so we got our bill through. The speaker really didn't care about what happened to Bennett, even though Bennett was attacking him. Bennett didn't have much sympathy with anybody. But Bennett finally got himself on board on that. Now, Collis, it seems to me--we're still talking about 1981, and Collis was on the board by that time--he objected a little bit, but even though he had hired Berman-D'Agostino to handle his campaign, they gave him absolutely no help on apportionment, not any. It's an interesting thing here. You read a lot about apportionment. I want to tell you something. [Michael] Berman and Phil Burton did the whole of their apportionment by hand. It was never done by machine. In theory, they had access to the senate computers but they got into a fight with this guy and did it all by hand. You hear all these people talk about computers and all that stuff. That's not so. It was done by hand, a hand held thing that they got all those districts together. They had all the information, obviously, and a form that they could use but the work was done by hand. It was not done by computer. Now, somewhere

along the line, it obviously had to be checked out so you didn't get the island problem.

de GRAAF: I'd like to go back to a couple of things in the 1971 reapportionment. First you said that the other members of the board, in effect, tried to give you a Republican dominated [district].

NEVINS: Yes.

de GRAAF: Why were they trying to get you out of the board?

NEVINS: I was sort of an irritant. I was one of those people who wanted to do things, and they didn't want to do anything.

de GRAAF: Was there any issue in particular you can recall?

NEVINS: Property taxes. What they wanted to do on property taxes is do as little as possible. I know it's hard for people on the outside to realize but a lot of politicians' idea of an office is a sinecure where they can posture a little bit but don't do too much. I wasn't in that; I like to do things. They didn't like that. Lynch's health was bad and he didn't want to do too much. They were all getting pretty old. Reilly had. . . . What's this sugar disease you have?

de GRAAF: Diabetes?

NEVINS: Reilly had found he had diabetes after the 1958 campaign, and he was having more and more trouble keeping track of it. It's one of those things where you have to do everything just right. If you don't, you're real bad. His personal habits were such that it was very hard for him to

stay on the track. It became a big project to keep him going. Leake was pretty old by this time. He was in his seventies. He didn't run again in 1972, I guess it was.

de GRAAF: No, it was 1970, I think.

NEVINS: That's right. He didn't run in 1970. Bennett came on, and he's just a very difficult person, that's all. He never really participated in running the board. He would come in on little bits and pieces and then he would just disappear. You'd never know where he was. He didn't come to meetings. His first year in office, he missed about half of the meetings. He'd tell you he was coming. He might show up at a meeting for an hour and then just drive off. It was weird. I heard he did the same thing with the Public Utilities Commission. A really strange person.

de GRAAF: That explains somewhat why this effort was made to get rid of you. You wound up with part of Los Angeles County for the Fourth District and you said that it had been proposed instead you might have San Diego or Orange counties. To the best of your knowledge, did all of this just happen last minute behind closed doors? There was no partywide grand allocation plan for the Board of Equalization?

NEVINS: None.

de GRAAF: [In] 1970, you said, you ran against Jarvis, seemed to win fairly handily. Once again, I'd like to know, by 1970, how did your Board of Equalization race tie to the rest of the

party? That was the year Unruh was the Democratic candidate. Were you particularly close to him? Was your campaign in any way tied with his?

NEVINS: No. He ran pretty independently. I was very discouraged with Jesse as a candidate. I felt that his strongest suit was to show that he was effective in government, he could get things done for people. He got on some kick where he tried to be like Kennedy. Of course, he doesn't look like Kennedy, doesn't talk like Kennedy, or anything. My plan for him would have been to have a sort of road show. We'd go out and campaign all over the state and have black-and-white ads. You remember they had color TV come about that time. I would have had him talking to people in black and white about how he dealt with their problems in the legislature. The implication would be that Reagan didn't do anything or didn't know what to do. Sort of do it that way. Jesse's campaign was just a total disaster from the word go. He went out and attacked some guy [Henry Salvatori, one of Reagan's "Kitchen Cabinet"] on Labor Day out in Bel Air. Labor Day, of course, is a Monday, right? On Tuesday, I had to go down to some union headquarters, the one that deals with sanitation workers. SEIU, Service Employees International Union. So I go down there and talk to their research person, who's a little Jewish liberal girl. She thought it was terrible. I thought, if she

thinks it's terrible, how can anybody think it's good? It was just a disaster. I knew I was going to win. This is the campaign where Republican leadership was very blunt and told me they'd take care of Jarvis for me because he'd done them out on a prior campaign and they didn't want him elected. So they just did him in, that's all there is to it. He just didn't have anything going for him. He had gotten the nomination against three other Republicans arising out of the fact that he was head of the Apartment House Owners Association in L.A., and they were fighting some bond issues at the time. They had a rather elaborate campaign. He was the spokesman for them, so that he was on the air a lot. He was on television, on radio, he was being quoted in the newspapers quite a lot. So he was by far the best known of these other people running. So he won the nomination. The reason I hired Joe Cerrell was that what we wanted to do was put him out of business in the general election. What happened is that Joe wrote every radio station, every television station in L.A. saying, "If you put Jarvis on, you've got to put me on," knowing that they wouldn't put him on. Jarvis just ran into this iron wall of no publicity. He thought he was going to win up until August. He got up into about August, and I remember we heard he had given up. He knew he was out because we applied this rule against him.

de GRAAF: Did he, in that campaign, raise a lot of the issues he later became famous for, cutting property tax or freeze spending?

NEVINS: He talked a little bit about excess property tax but, as I remember, he didn't really campaign much about that. He campaigned about some issues on property taxes in L.A. County, which really got him on the wrong side of the assessor, Phil Watson. As I recall, he didn't really attack me very much. Remember, he really was running in the Republican primary, so he was trying to become the Republican. He never got a chance to do much in the general. Now, he had a column in a paper called the Canyon Crier. Now out of print, it was a weekly distributed to parts of Mulholland Drive. We subscribed to that right along to try to keep track of him. We knew that he was interested in the property taxes way back, so we tried to have an idea what he was doing through the Canyon Crier. We subscribed to it so we'd be up-to-date. We'd get it through our clipping service, but we wanted to have it quick, so we actually subscribed to it for a long time. [Laughter]

de GRAAF: In the 1974 election, do you recall that you had any primary opposition?

NEVINS: It seems to me that's when I didn't have any opposition.

de GRAAF: I was thinking that was. . . . You did have a token Republican. His name was William Getty.

NEVINS: William Getty was our employee and a sort of second-rate

appraiser. He had been active in Republican politics at a very low level. Somewhere along the line, he got the idea he wanted to run for the Board of Equalization, so he ran and just never got anywhere. He left the board's employ, although in those days you couldn't fire them. In the early days, when a person ran for office, you fired them just like that. But this guy was in where we couldn't do that anymore. But he quit right after the campaign, sold his house--he lived over in San Gabriel--and quit.

de GRAAF: Another interesting opponent you had was a Peace and Freedom party candidate. His name was Mike Timko.

NEVINS: Never met him. He ran against me about three times.

de GRAAF: There was another fellow by the name of [Lewis] McCammon that ran against you after that [1978].

NEVINS: I never met either of them, ever. Even where they had things where the people all showed up, I never met them. If I did, it doesn't ring a bell with me.

de GRAAF: So you don't recall that [Peace and Freedom] party necessarily representing a significant segment of the population or issues?

NEVINS: What those fellows were doing is, they wanted to be on the state central committees of their party. So if you became the nominee, by statute you became a member of the central committee of the party. So that's what that's all about. They weren't really running against me. They were just

getting a party position; that's what they were really interested in.

de GRAAF: Did the Peace and Freedom party itself ever take any particular stand on tax issues?

NEVINS: Not that I am aware of. They certainly didn't make it known to me or anybody else. They may have, but I never ran into it.

de GRAAF: In the 1978 election, you were in the enviable position of having no Republican or Democratic primary opposition.

NEVINS: That was a big mistake on the Republican side. I think if they had had a candidate against me--I'd opposed 13--they might have made life very tough for me in the general [election]. But they didn't. That's the campaign where I really went out on a limb against 13 in the primary and got very upset with Jerry Brown. In the general, we were trying to figure out what sort of campaign should I have. We got all ready with sort of a standard campaign. I'll never forget one day, it was about the middle of July, and I suddenly came up with the idea [that] that would be the dumbest thing you ever did in your life. What you ought to do is say that you're going to implement Proposition 13. We had this folder, which was the cleverest goddamn folder. I might be able to find one for you. But what we did is, we had a "question and answer" on Proposition 13. Remember that the campaign would be coming in at the time when the

[property tax] roll was going to be turned over, like in September. We knew a lot about when everything was going to happen because we were doing it. You had to postpone the date. Normally, the [property tax] roll is turned over on July 1. I think it was turned over the tenth of September or something. It had to be changed. So we got this thing called a "question and answer" on Proposition 13. I've got it upstairs. We knew what was on people's minds because we'd been in very close touch with the assessors, and our staff had been working with them. So we had all the standard questions about what we'd get out of it, what are we going to do for you, all of that. I had this nice little booklet and, on the very back, it says, "Vote for Dick Nevins." But I had every word checked out by the staff, lawyers and everything like that. There were not going to be any mistakes in that damned thing, and it just did the trick. I never had any problems. Nobody ever took me on. Now, one of things that is sort of odd about politics and opposition: if you treat your opponents straight, they don't gouge you. They don't get mad at you and try to get rid of you. It's when you play games with them. The Proposition 13 people knew I was against it, but they were very blunt about it. They said, "You never gave us a bad time. You never did nasty things to us. You gave us straight information. You didn't play games." They never took me on. Isn't that weird?

de GRAAF: That is, yes.

NEVINS: I never could understand all that. But who am I to argue with them? When it got me votes, I didn't argue about it.

de GRAAF: They must have had a weird way of trying to express their views because I notice that McCammon, of all things, and the Peace and Freedom party got over 100,000 [votes] in the fall. Do you think these were mostly people that disagreed with your stand on 13?

NEVINS: Yes. You've got to have some way to voice your opposition. I'm sure they voted for him, even though if he'd gotten in, they would have been appalled. But they just wanted to show me they weren't for me. That's what it boiled down to.

de GRAAF: Your last election was in 1982. Here, you win fairly easily over the Republican in the final but, as you said earlier, had quite a race in the primary, predominantly, it would seem, against a fellow by the name of Saul Lankster.

NEVINS: Saul Lankster was a crook from Compton. I think he'd been fired from the school district for misappropriation of property. He was under investigation by the attorney general of California for some crime. The attorney general didn't tell me what he was being investigated for. But he was a friend of Willard Murray, and Willard Murray, of course, is now an assemblyman. Willard Murray's job, or form of employment, was running campaigns where he shook down the whites in L.A. County, the big donors, and he put

out mailers. They tried to shake me down. He was working with the BAD campaign, Berman-D'Agostino. They found out how much money I had in my campaign treasury, which at that point was \$55,000, so they asked for \$55,000 to put my name on those folders. I said, "I don't see any reason why I should put my name on a folder in the Democratic primary. I don't see that these people are for real candidates." I'm giving it to you very politely; we used much stronger language. We told them to shove it, we didn't want to contribute to that. So they decided to see how much power they had, so they picked out Saul Lankster.

[End Tape 12, Side B]

[Begin Tape 13, Side A]

NEVINS: We're now talking about the primary of the 1982 campaign, keeping in mind that I had my new district in L.A. County, which was quite Democratic. In fact, it was so heavily Democratic that whoever won the primary was sure to win the general. You then ran in a situation where you had to have your party fight. The fight really revolved around what happened in the primary rather than what happened in the general. The Berman-D'Agostino people, I think, felt, we'll use Nevins as an obscure candidate to show what our direct mail power is. Keep in mind that they were going to have about two or three mailings of about 1 million apiece dropped in Democratic homes in a period of about five days

before the primary election in June of 1982. In addition, in the black community, this Willard Murray would have some special mailings for Saul Lankster, where they made him look like a prince. God, he was all dressed up, in a law office and everything.

de GRAAF: Was Lankster himself not black?

NEVINS: Yes. I didn't find out about these mailings until Saturday morning before the Tuesday morning [primary]. I'd gone away to a conference in New Orleans and I'd gotten back on Friday night. My wife picked me up, and I asked my wife if there had been any developments in the campaign. She said, "No, but maybe you should call Shirley." That was my deputy, Shirley Filiatrault. So I called her up. I used a pay phone where there was a lot of outside noise, and I asked her if there had been any developments. Were the radio spots ready and all that kind of stuff. Next morning, a friend of mine who lives in Long Beach called me up. He says, "Dick, did you get this mailing?" [It was] showing for Lankster. I said, "No." But I knew exactly what it was, so I got on the phone to Joe Cerrell's office and I said, "Joe. . . ." I had a hard time getting him, but I had his home number. I said, "We've got to have our radio spots out as soon as we can get them out. I told you to make them." Well, he hadn't made them. So what we did is, we took the radio spots from the prior campaign and patched them together for this

campaign--how do you like that?--and got those and placed those on Monday and Tuesday. Then, we wanted to get newspaper ads in the major newspapers. I said, "We want one in the Times and in the Examiner and any other paper we can get in." I think the only papers we could get in were the Times and the Examiner. The other papers wouldn't take political ads on election day. They thought they were evil politics. What our purpose was with these radio spots and the newspaper ads was to show that we were alive and well, that we weren't just not campaigning.

We scraped by. Obviously, it was the last minute for Lankster. There was no chance for us to go out and attack him. That wasn't the right way to do it, anyway, for an office like mine. So what we had to do was show people we were campaigning. So the combination of radio spots and the newspaper ads let people know that I was out there. So we dropped about \$25,000, \$30,000 on all this stuff and, of course, won the primary by this small margin [227,000 to 173,000]. But really, it was an error on the part of Joe Cerrell. He should have been more attuned to the fact that this could happen. We knew he was having a fight with Berman-D'Agostino. They were challenging him as a political manager, and they were trying to take the position that Joe didn't know what he was doing anymore. Joe's primary thing has been judicial candidates, and he's used the endorsements

NEVINS: very effectively in that. He and I had been close ever since the Jarvis campaign. So we'd employed him and used his office as a headquarters because it's cheaper to do that than to go and set your own up. He hired a girl that was just for us. He had a phone number that answered "the Nevins campaign." We didn't campaign as much in this election. We didn't campaign anywhere near as much as we did in the past. First, we didn't see what it did for us. You know, we were getting old and lazy and all those good things.

The big problem was that Joe should have spotted that this could have happened. He should have had his ears out, either through printers or somebody, that something like this was happening. He should have had some pickup. I met Lankster a couple of times, and he told me that something bad was going to happen to me. But I just couldn't believe this guy. He's a pretty shoddy looking guy when you see him, ordinarily. Of course, they dressed him all up for the pictures. It's funny that Merv Dymally got involved in that thing and got in the position of endorsing Lankster against me, whereas I'd always been one of Merv's big supporters. When he was running for lieutenant governor again [1978]--remember, he was defeated in his reelection--I gave him \$1,000, which was a fair amount of money in those days. To have him support Lankster was just weird. Of course, Lankster lived in his district, and he somehow got himself

NEVINS: tied up with Willard Murray. Willard Murray is the kind of politician that's on the take. I think he is going to be an embarrassment to the party over time, as an assemblyman. I don't know why he wanted to be an assemblyman, but anyway, there he is. It was a pretty bad thing. Joe sort of let me down. Remember, you always hear about the campaign managers running campaigns? Forget it. Candidates run the campaigns, and this was a pure and simple one. I had to get out and just beat people to death to get this thing done. Otherwise, I don't know what they would have done, but I could have been defeated for real. It just took a whole working Sunday, Monday, and Tuesday to get all that stuff done. My deputy got some hints on it, but it never really got through to her how dangerous this was. You were talking about millions of pieces of literature. The campaign for Lankster's saying the incumbent's had enough or he'd been there long enough.

de GRAAF: You won easily because of your district, but Bennett and Collis both had very narrow wins, and Dronenburg was returned in the Third District. Why do you think by 1982 the Democrats on the board were having a lot tougher fight?

NEVINS: Collis's district is very tough. We improved it a little in the 1981 reapportionment. He wanted me to improve it more. I said, "Collis, if I give you more solid Democrats, there'll be no chance that we could ever have a minority candidate win because then you get into the Anglo thing. I really don't

want to do that. It's not going to improve you enough to make that much difference overall." He knew I knew what I was talking about. He wanted me to give him the Fairfax District. I felt if you took the Fairfax District out of my district and gave it to him, the Jewish voters that live there will vote for a black. But I have to pick up white voters someplace else that won't vote for a black. That's where we were on that one. I decided I wasn't going to get into that fight. I had some obligations to some black guys. But Berman-D'Agostino gave him no help. He never had the kind of advice where he could talk to me and tell something about what you do about apportionment. It was really weird. By this time, the Thomas Guides came out with zip codes and all that kind of stuff. You didn't have to be a big dealer to know how to advise somebody about something like this; it was pretty available. And census tract information was readily available. We had it all; everybody had it. Of course, we got ours from the Republicans, but it was available. Anybody could get it. How people had voted in the thing, what the registration was, the percent of turnout--all that kind of stuff was readily available. He didn't do any of that. We gave him his district. What's the county that Stockton's in? [San Joaquin] I gave that to Bennett because it was turning from Democratic to Republican. But Bennett had Alameda and Contra Costa

NEVINS: counties, which are pretty Democratic, and then he had Shasta County, which is pretty Democratic. But the rest of his district, including Sacramento County, is getting bad. Look at the elections and, Jesus, the Republicans are being elected all over the place up there. But the best I could do for Collis was [to relieve him of] San Joaquin County. I gave that to Bennett and added something. I guess I gave Collis some little cowtown.

de GRAAF: You say "you gave." In the 1981 reapportionment, were you pretty much the one that designed it?

NEVINS: I did. [Laughter] There wasn't any question about it. The other people had no mechanical input at all.

de GRAAF: Alatorre, in effect, picked up your design and put it into his bill?

NEVINS: Right. [Laughter] Shirley and I did it. She did most of the dirty work. I'd tell her what we wanted to do in principle, then she did the dirty work.

de GRAAF: Again in 1981, in spite of all of the almost, now classical work that Phil Burton was supposed to have done, it did not include thinking through Board of Equalization boundaries?

NEVINS: No. I did it. I've known Phil a long time. I called him about it a little bit one time about some element of the thing. I was catching some flak somewhere along the line. We finally worked it out. But Phil, at the time, was trying to get away from safe Democratic districts. He felt that

they were bad for the party, that the guys that got them didn't do anything, and that what you wanted to do was have a district where the incumbent had to fight. [Congressman] George Brown's district is a perfect example of that. But a lot of the Democrats didn't want that. Of course, the Republicans talk a big game, but they like safe districts better than anybody, they really do. It's very difficult for them to run in swing districts. The kind of personality that can win a swing district is not like the Republican leadership types. They're just totally different people. Anyway, reapportionment is one thing where people talk a lot about it in one way--Reagan and all these people talk about it--but the mechanics of it and what you really do is wholly different. The people who talk about reform in reapportionment, the first thing they've got to do is, they've got to decide whether they're for one man, one vote. If they're not for one man, one vote, then you can do a lot of really strange things. But if you say one man, one vote is the name of the game, then you run into these situations where the Republicans seem to get a majority of votes in the state but can't win the legislatures and congressional seats. It's the one man, one vote that's doing them in there. They can't add a lot to the seats unless they get the swing districts. Swing districts, Democrats can win. They [Republicans] have a real tough time. If they were so hot on

NEVINS: swing districts, they should be able to beat George Brown. They can't beat George. They should win the [Steve] Clute district. They can't beat him. There's a knucklehead down in San Diego. What's his name? The John Tamata man [Steve Peace]. He's got a swing district that's miserable. The demographics of it are simply awful for a Democrat, and this guy hangs on. If there's a swing district a Republican could win, that's it down there. You go all around the state. Santa Barbara. There you have Gary Hart. Is that a swing district! I used to win and lose it by 1,000 votes. I ran in it three or four times and, God, you win it once, lose it once. It was always by, like, 1,000 votes. It was a small amount, and you just didn't know what was going to do it. My mother knew the publisher [of the local newspaper], that's how we'd score. All the little gimmicks you have in politics. You just can't believe what it is you put together to finally win the goddamn election.

de GRAAF: I can imagine. Just a couple of last questions on the 1982 election and reapportionment. Was there anything in the 1982 election that led you to the eventual conclusion that that would be your last term?

NEVINS: I don't remember just how old I was in 1982, but I guess I was sixty-one. I'd looked at not running in 1982. I talked to some management recruiting types--headhunters, as they're called by the kids--and they said, "Dick, that's kind of an

unfortunate age. You might as well just serve out another term." That's what I did. I really didn't have my heart in the last term. I ended up having to do quite a lot of work. I was chairman twice, as you remember. I was chairman up to the last minute of the thing, literally calling meetings and doing stuff to the very bitter end of my term. Literally, the last week of business days we had a board meeting in Pasadena to settle some stuff that could have been settled in Sacramento. The other board members were all acting up. But I come from a line of thinking that you can be in something too long. Twenty-four years was a long time.

de GRAAF: Did you play any role in the selection of Paul Carpenter to take your place?

NEVINS: No. I felt that one of my problems as a candidate and politician was that I didn't have any real clout anymore any place. If I had supported a candidate, it wouldn't have made that much difference. Nate Holden put a lot of pressure on me, and so did Alex Pope. But I felt Alex Pope had shot his ability to win the Board of Equalization seat. In his run for [county] supervisor [in 1984], he hadn't done very well, really, and he used up a lot of money and lost some friends. As assessor of the county of Los Angeles, he had gotten on the wrong side of the business people, I think more on a personality basis than anything else. I felt that he wasn't going to be able to raise enough money. I felt that, in

order to win, he had to raise a minimum of \$250,000, and if he wanted to be sure he was going to win the Democratic primary for Board of Equalization, he should really have about \$500,000. Alex, I think, eventually raised about \$225,000. I knew that Carpenter was going to have a lot more money, \$500,000, \$600,000, maybe as much \$1 million, that he was going to have the Berman-D'Agostino people behind him, and I just didn't see how Pope was going to beat him. Pope was kind of old hat by this time. Holden's chance was, if these two guys got in an even race and he could pick out the black vote and the liberal vote--although Pope was pretty liberal--he might get to be the nominee in a tough three-way fight. Pope's race just didn't generate enough. I guess he ran second. Holden was not such a good third. I've forgotten what the numbers were. But the main problem was that Pope himself didn't have a really strong campaign. His friends got very mad at me for not supporting him, but I didn't see much sense in supporting what I thought was a sure loser. I didn't think he was that great. My employees didn't like him, and they were very blunt about that. They felt he had lied to them. I don't know what he lied about but that was their feeling. I didn't see what it was going to do for anybody for me to support him. I think I would have looked like an old politician trying to nominate his successor and failing, and I didn't see what that did for

NEVINS: anybody. So I didn't do it. What I tried to do in the race was give the guys, the people running--I think I gave the Republican the same thing--the annual reports, and I tried to tell them what we do in this agency, what's this all about, what are you doing when you get here. I think the guys appreciated that. I never got on the wrong side of Carpenter because I knew he was going to win.

de GRAAF: Had you known him?

NEVINS: I'd known him slightly over quite a long period of time. I knew him when he was an assemblyman. I think he was the county [Democratic committee] chair of Orange County for a very short period of time. I don't think he served a two-year term. But I believe I met him then. I certainly knew him when he was an assemblyman. Of course, I knew him when he was a senator. Not well, but I knew him. I knew that he was going to put together a kind of campaign that was a modern kind of campaign that would be very hard to defeat unless you had some money, or better name ID than Pope had. Pope fuzzed it up in his running for supervisor. Holden had the same problem. He'd run for a lot of different offices. People aren't really wild about that. I know Sam Yorty did it too.

de GRAAF: Anything else you'd like to add about your election experiences?

NEVINS: I think the biggest problem that people have about politics

right now is that there aren't really a lot of people in politics. People have all these sort of visions of what they think goes on in politics that really don't have much relation to what does go on. I think the thing that people forget is that politics is dealing with people, that if you have people behind you, you can go out and beat the money easy. But a lot of people get all carried away. "Well, God, the other guy's got a million bucks." Pope, if he'd had solid support, had had a solid following, I'm sure could have beat Carpenter, but he didn't have a solid following. That was one of his problems. Nate, the same thing. He had a smallish following--[Kenneth] Kenny Hahn's people and stuff like that--but it wasn't enough to win the district. He didn't have enough name ID, really, to do anything. But I think you can go out there and win. I think the greatest example of where money didn't pay off was in this insurance campaign this last election [1988], where \$100 million was spent, \$23 a vote. It was just ridiculous. What that tells me is that money just can't buy anything. You've got to have a feeling for what it is people want. I felt that one of my problems as a politician is that the reformist, progressive stuff that I'd run on in most of my campaigns was really fizzling out. It didn't move newspaper writers; it didn't move the people very much. They weren't really interested in that. They had assumed that government was going to be

NEVINS: fairly efficient, period. I think you've got to be in sympathy with the trends of the times.

I'd never been in the Vietnam War thing, which, you remember, came right in the middle of my career. I'd never been an antiwar person. I felt that their point of view was very shallow and selfish, and I think time is probably going to prove me out. But I'm going to be quite old by that time. There's certain revisionist thinking going on right now about Vietnam, and there'll be more. War is dirty business at any time. I don't think this war was any better or any worse on that than other wars. People certainly didn't serve very long, a year, I'd say. Gosh, in World War II, you had longer stints out there than that by quite a margin. That was something that bothered me. Then, having to raise the big money to stay in [office] is not much fun, believe it. You sort of sell your soul, and I thought, gee, I'm beyond the age where I can sell my soul. So I didn't want to get into that. Collis, all the time he was on the board that I was with him, was in debt something awful from his first campaign. He was paying 20 percent interest. Well, 20 percent interest just eats you alive. Before your period, you're paying as much interest as the original campaign amount. So he illustrated to me a real problem. I don't know whether he's ever gotten out of debt or not. I hope he has. But that caused him all kinds of problems, and

NEVINS: I just didn't want to get into any of that. That was the reason for not running this time around; I'd have had to have \$250,000, \$300,000, and the most we'd ever raised was \$125,000. That's the whole banana. You'll have to have that kind of money up front in the future. You don't want to be an incumbent and not have a couple of hundred thousand dollars in the till. You were talking about Walter Stiern. One of the ways you could tell he wasn't going to run is he didn't have any money in the till. People kidded me about that. I had, like, \$10,000, \$12,000.

de GRAAF: That is, I know, a real problem in politics today. Maybe on that note, we'll leave elections and go and take a look at a few aspects of tax policies that we haven't covered before. The first of these is a peculiar issue apparently between the board and the Los Angeles County Transportation Commission around 1981. First of all, what exactly had been the function of the board with respect to these special sales or use taxes for transit districts?

NEVINS: Sometime before I came into office, the Bradley-Burns Uniform Sales and Use Tax was passed. This is this voluntary local sales [tax] that was administered by the Board of Equalization for the city or county. This concept had proven very successful, and the business people in California in particular--the California retailers and other groups--didn't want to have other agencies administering the sales tax.

They wanted a single agency handling all the sales taxes. So when sales taxes started being used to support transportation problems, which had started out in the Bay Area Rapid Transit District [BART], pretty much the legislative and gubernatorial policy was that if any more of these things were going to come along, the Board of Equalization was going to administer them. They were going to be add-on tax laws to the basic state tax, and that also had the advantage that the state would have a handle on how they were spent because most of these things took some kind of enabling legislation by the legislature. I think they all wanted to have some kind of control over these things to some degree.

What happened on the Los Angeles one was that they proposed a tax--I think it was half a cent--and it was after Proposition 13 passed. The election came, and they got about 60 percent of the vote. They didn't get the two-thirds vote. So the question came up whether this was the kind of tax that required a two-thirds vote by the people in the district, and the thing started to go through the courts. I believe there was a case in San Francisco that was the first one that ratified this kind of tax. The board's staff, the legal staff in particular, had looked at this tax and thought, "This will never make it." But the supreme court of California ruled that it was constitutional and sound and enforceable. They did it on April 20 or something like that;

NEVINS: it was some crazy date. So the question is, on what date should we make the tax effective? The Transportation Commission wanted it as soon as possible and we wanted it on the quarter. We always like to start taxes on quarters for a lot of reasons. I won't go through all of the reasons, but there were a lot of technical and mechanical reasons that this makes life a lot simpler if you start a change in rate at the beginning of a quarter. I don't remember what happened. I think they didn't want to do that. They wanted to go, like, the beginning of next month. It seemed to me that the court ruled on April 20 and we put the thing in the first of June. The bad thing about this was that some staff work had been done on the pamphlet explaining the tax. But it was one of those pamphlets that had never been circulated. It turned out to be a terrible pamphlet. When I saw it, I just about died. It was printed badly, it was rushed out. Of course, the [Transportation] Commission was charged for it. They caught all kinds of flak; we caught all kinds of flak. It was mainly because our staff had thought this was never going to be a real tax, so why put any overhead into it? We get paid to do it but you don't want to do something that you're not going to get paid for, right? I think that was what happened. People were, by this time, very sensitive to taxes, so the tax wasn't very popular. We had some trouble collecting it. I don't remember anybody

- NEVINS: complaining about it lately. It was the first half-cent addition in southern California. We'd had 6 percent. But a lot of others have come on now. I think San Diego has them, and I don't know who else has them. But they're pretty common now. Doesn't Orange County have one?
- de GRAAF: That's the big issue. It's going to come either this June or November.
- NEVINS: It seems to me Riverside or San Bernardino county has one. I'm not sure of that, but I think they do. One of them does, I think. That was sort of the thing. We didn't know any of these people very well on this commission. A guy named [George U.] Richmond was the guy that ran it. The [Transportation] Commission itself was a bunch of nonentities. I never knew any of them. It was one of these strange legislative creations. In fact, I think there's a motion on to change all that now, isn't there?
- de GRAAF: I'm not sure.
- NEVINS: I think there is. It's the one that's paying for the subways and all that stuff.
- de GRAAF: That was the issue, then. Another problem that seems to have come up was that of mobile homes. In 1980, I think, they were put on the property tax assessment rolls.<sup>1</sup>

---

1. A.B. 887, 1979-1980 Reg. Sess., Cal. Stat., ch. 1160; S.B. 1004, 1979-1980 Reg. Sess., Cal. Stat., ch. 1180.

NEVINS: Boy, you brought up a really tricky one. Let me try to run through this whole thing so you'll try to get the picture of what we're talking about. Mobile homes in the past had been housing for poor people. A few of them had been moved around a little bit, but substantially they'd been a quick way to erect housing. On a square-foot basis, there's 20 percent of the cost of a stick-built house. You can build them in a factory with cheap help and erect them in a day or two and put everything in them and roll them out and sell them someplace. When they were first brought out, we'll say sometime after World War II, they had what they called mobile home parks. Somebody would get his property, usually in an unincorporated area in a county, zoned for a mobile home park, and he'd put in 200 or 300 pads. He wouldn't provide an awful lot.

[End Tape 13, Side A]

[Begin Tape 13, Side B]

NEVINS: We were talking about mobile home parks, right?

de GRAAF: Yes.

NEVINS: What happened was that local government determined that they weren't getting much tax from these parks and that there were a lot of people problems at them. All the welfare and social services were needed to be delivered to the park, but there wasn't any revenue. There were a couple of reasons for that. Mobile homes were considered just like the words

"mobile homes," and they were registered as motor vehicles. It turns out---something that I wasn't really familiar with until rather late in the game---that the Department of Motor Vehicles had a policy. When they renewed the licenses of these things, which had an automobile-type license, if the tax wasn't paid for two or three years in a row, they dropped them on the theory that they had disappeared or disintegrated or something. So what happened was that people quickly learned that you could get out of paying any tax by just not paying the tax. So you'd have a mobile home park with a couple of hundred homes and no tax at all. The only tax that was being paid was on the land value of the park which, of course, was a license to steal. Early on, the counties--and your county of Orange is a good example of this---just clamped down on mobile home parks. There were probably twenty-five in the county in 1970, and I doubt that there's a single new one, and some of them cut back ones that were there. Some of them had nice locations. There's one in Laguna that's very nice.

But the important point about this is that county government and cities just absolutely stopped letting them come in at all. But Jerry Brown got into the business of "We've got to have affordable housing, and here is this affordable housing," and the manufacturers, the California Mobile Home Association, got to Jerry and said, "Gee, we've

NEVINS: got to have a way of making these mobile homes acceptable to cities and counties so that we can sell them and you can have the housing." Jerry was big on stuff like this, by the way. So they decided that one of the ways to deal with the problem was to put them on the property tax roll. The people who lived in them finally began to realize they were going to have to pay a lot of money that they'd never paid before. So a whole bunch of complex legislative schemes came up. One is that you could reregister your mobile home with the Department of Motor Vehicles and pay a little fine. That would keep the tax down. In other words, if you didn't reregister, it was going to go on the property tax roll, and there you pay 1 percent of the market value of the home. It was an interesting gimmick. If it got on the property tax roll and got sold, there was no use tax. We had a use tax on automobile sales between individuals. The people involved in these homes--I'm talking about the actual homeowner now, not the operator of the park--had this problem of "how am I going to minimize the tax problem?" That was one thing, whether to go on the property tax roll with no sales tax or to stay with the Department of Motor Vehicles, pay a lower tax, and then have the thing subject to the tax at the end.

de GRAAF: So the first legislation that was passed gave them this option.

NEVINS: It said that if you were current, then you wouldn't go on the

property tax roll. If you weren't current, then you were given a chance to pay back. If you didn't take it, then it went on the property tax roll. And then there were a lot of extensions on that. Over time, I found out what the real problems of these things were. The counties had been required over a period of time, ending about 1980, to have county plans. They never had a county plan before. So in the course of making county plans and arising out of Proposition 13, they started to have fees for all kinds of things. So they do their fee bit. It turns out that banks don't want to finance the sale of these mobile homes unless all the taxes are paid, backwards to the time that the person owned it. All kinds of things then started to happen. People started paying motor vehicle fees that everybody had forgotten about or they went in and paid property taxes. I talked to a banker about this thing. He said, "Jesus, we became the enforcement agent in this thing." In other words, these guys in housing transfer quite a bit, and one of the things is that the banks didn't want to get involved with a piece of property, even if it was on private property, not on a mobile home. Because up in the northern counties, you have hundreds of these mobile homes out in the forest someplace. So the banks got into the business of really getting the taxes paid, which was news to me.

But the people who lived in the mobile home parks

NEVINS: opposed all these tax schemes. The mobile home park operators had mixed feelings about them because they got into the enforcement business, and they didn't like that. They were already paying quite a lot of property taxes on their bare land, but they were making so much money that it was just out of sight because they kept raising the rent all the time. So then you get rent control in the mobile home parks. I'm sure you've heard that story down in the great county of Orange. In the meantime, the cities, even though there was a specific statute saying that they couldn't discriminate against manufactured housing--that's the word they now use--very few cities have much manufactured housing in them. I can show you a couple of samples in L.A. city if you want to see them, but it just never went very well. I don't understand all the gimmicks on it. It was one of those Jerry Brown plans that caused a world of political confusion. It didn't do much, really, as far as I can see. There are a few counties where there are a lot of mobile homes. Riverside is one that has a lot of them, and they had all these tax problems in spades. I think they've pretty much got on top of it now. Riverside was a county with no plan until 1980; they were one of the worst on that. Their assessing offices had problems with the maps because of that. It was one of those things that made a big commotion. A lot of lower income people were affected by it, but I don't

NEVINS: know that any great governmental goals were ever achieved by this change in taxation of these mobile homes.

de GRAAF: Do you recall that there was any incentive to change mobile homes to property taxes because this would augment the local tax rolls?

NEVINS: Yes. The reason they did it was to get local government to let them be built, but that didn't happen. At least, I'm not aware of it if it did.

de GRAAF: It seems that two things occur in 1980: mobile homes are put in the property tax rolls and sales and use taxes are allowed to be kept within redevelopment districts.<sup>1</sup> They both look vaguely like they're an effort to shore up the lost revenue from Prop. 13.

NEVINS: Right. Diane [E.] Watson carried the bill on the redevelopment tax. We were able to do it all right, but we charged the redevelopment agency for the extra mechanical work we had to go through to do this. We'd already done work like that on the property taxes with utility property, primarily, so it wasn't something we never heard of. The Board of Equalization has now become the state's official mapping department.

de GRAAF: I wanted to get into that, the whole tax rate mapping program. How far back does that go?

---

1. S.B. 152, 1982 Reg. Sess., Cal. Stat., ch. 951.

NEVINS: The kind of rates we have now started in about 1935, and somewhere along the line, we just got handed by the governor of California. . . . Apparently, the federals required the states to nominate somebody as the official mapping agency of the state government. Well, we just got it because we did have maps and we did have a department that handled them. We weren't wild about it; we're not wild about the kind of maps we have now. There's been a tremendous development in cartography in the last twenty years. They have these ways of making maps by data processing that are so vastly superior to anything that we ever did before that it's just astounding. The problem is that it cost quite a lot of money to make this change, and there is no really compelling reason right now in California, unless somebody wants to come in and spend the money for their own reasons, to do it. The maps we have do the job we need to do. But if you started over again, you'd never do it the way we did it. They had what they called a point system. There can only be one point in one place at one time. So you just start from that and you can get anything you want. You can get zoning; you can get altitude, climate. I mean, the amount of information they have is just out of sight, and it can all be done by machine. We just haven't really done it in California. We'll do it someday, I'm sure. It was one of those things that was out there while I was in office. I'm sure somewhere

along the line it will be done. It won't be a thing that'll shake up the average citizen but it will make a lot of information available to planners, to people trying to figure out what we're going to do next, a lot better kind of information than he had in the past, and it will be easy to get.

de GRAAF: What sort of information does the tax rate mapping program put in?

NEVINS: What we try to have is a very accurate physical location of the property lines. You try to have it as accurate as you can get. We like them within inches, if we can. You don't get them much better than that, really. There are a lot of reasons for that. Lots of parts of the state were never very well mapped in the beginning. That's part of the problem. People who did it weren't capable of any better work or they didn't do a very good job, so the state has worked with not very good maps for a long time now. A lot of counties have cleaned it up somewhat, but there are still serious errors in maps. The property you're on right now is off a couple of inches. It's a nuisance, that's all; it's not a big problem. I'll just say this: looking ahead, this is a thing where very substantial improvement can be made, believe me.

de GRAAF: Did the maps that your office put out in some ways do what the old Sanborn insurance maps used to do?

NEVINS: We don't really show any buildings on them. The Sanborn maps

show the buildings on them. We don't show that; we just show the property lines. The Sanborn maps were just that, for the insurance people, and they were fairly accurate, I guess. The insurance [people] weren't worried about how many square feet of land were there. They were more interested in how many square feet of house there was, or building, what the concentration of buildings was and were they getting too much in one area.

de GRAAF: I gather that one of the reasons your mapping program becomes more talked about in your annual reports in the seventies and eighties is because there was a real increase in the number of different districts you had to take into account.

NEVINS: Right.

de GRAAF: Why was that?

NEVINS: Californians seemed to like to form special districts to have special functions. You'll find them all over the state, and there's a wide variety of them. Even though Proposition 13 has stopped having property taxes support these districts, there are still districts formed to do various things, using sales taxes or some other kind of revenue source to carry out some governmental function. So you have to have a map showing where it is in order to decide who's going to pay the tax, especially if it's property tax or sales tax oriented. So we became the agency that fell into that one.

de GRAAF: Have there been any efforts in recent years to combine or reduce the number of special districts?

NEVINS: Jesse Unruh, when he was speaker, really worked hard on that. He tried to reduce special districts, school districts in particular. When he came in, there were like 1,600 school districts, of which a couple hundred were inactive; they didn't have any students in them. He managed to get rid of most of those. But he only reduced it, like, 300, 350 districts in the whole time he was speaker, and one of the things he was most discouraged about was his inability to get rid of superfluous school districts, or rationalize them. Right here in southern California, right where we are now, we're in a unified school district. But almost adjoining us is Alhambra, which is not a unified school district. So you have a high school district and two elementary school districts, each with different groups of people in them. They don't overlap. They're not giving each other serious racial problems. Everybody just goes bananas down there trying to figure out how they're going to handle their educational problem. I'm sure you have them in the county of Orange, too.

de GRAAF: Yes, we do. One other term that I don't quite understand and I imagine a lot of other readers wouldn't either that comes up in the 1980s is the open space yield rate.

NEVINS: When this constitutional amendment was passed, I believe in 1966, it implied that the . . .

de GRAAF: Was it part of the Williamson Act?

NEVINS: Yes. The Williamson Act was passed first. Then the constitutional amendment was passed which made the Williamson Act constitutional.<sup>1</sup> It was either in the Williamson Act or implied by the constitutional amendment that there had to be a rate of return on the land that you would use to compute its rental value. So the Board of Equalization was given the job of trying to determine what that yield would be. What we eventually ended up doing was using some kind of government bond rate at the original time. Then there would be a risk rate added on to it, and the risk rate can be added on to it by the county at their option. The effect of adding on the risk rate is to lower the value of the property. Whether they did that or not, I don't know. I don't think many did, but they could do it. Then you compute this income from some weird source like animal feeding or something like that and divide it by this risk rate, and that gives you the value of the property for Williamson purposes, having nothing to do with the rates of sales or anything. I believe later on that rate was established by statute so that it didn't rise and fall with the government rates.<sup>2</sup> I think it's about 6 percent.

de GRAAF: I know in the early eighties it seems to fluctuate quite

---

1. Proposition 3 (November 1966).

2. A.B. 509, 1987 Reg. Sess., Cal. Stat., ch. 144.

wildly, and the higher the yield rate, the lower the value increase of the property and vice versa, it seemed to be.

NEVINS: I believe somewhere along the line there that they established that this is going to be a rate, whatever it is, and they don't care what the outside rate is. I believe that happened somewhere in the eighties.

de GRAAF: As late as 1986, there were still annual rates being reset that were fluctuating.

NEVINS: Then we reset it.

de GRAAF: That was never any particular political issue or anything?

NEVINS: No. It was sort of a ministerial function. That's the way the board liked to do things anyway, but that one was particularly ministerial. Ronald Welch is the one that figured that one out. That's the sort of thing he liked to do.

de GRAAF: The final thing that seems to come up is, right after, I guess, you retired, there was a multifaceted bill, A.B. 2890,<sup>1</sup> carried by Assemblyman [Thomas M.] Hannigan, which mandates the use of board assessment rolls sampling program to see if county assessments were at least 90 percent--later it becomes 95 percent--of what? Of the state average?

NEVINS: This is a thing arising out of Proposition 13. After Proposition 13, the measures of quality that the board had

---

1. A.B. 2890, 1985-1986 Reg. Sess., Cal. Stat., ch. 1986.

used in the past and assessors had used became irrelevant because what you were trying to see is whether the roll was close to the market value of the property, which you can determine by looking at the market--what kind of sales, what kind of rentals were being charged, and that sort of thing. For about seven or eight years at least after the passage of Proposition 13, people weren't really concerned about property taxes. They thought it wasn't a very big source of revenue; this system is so simple it will run itself; we don't want to spend a lot of money on administration on this tax since it's not very much money. What happened was, it turned out that it was the fastest growing revenue source in any county and it grew 10 [percent] or 12 percent a year. It was much faster than any of the other revenue sources. Somewhere along the line, the counties starting thinking, we better do something about it. At the same time, the legislature, which, of course, now is intimately involved in local finances, saw that these property taxes were going up and they wanted to be sure that they were going up as much as they should go up. So the question came up, "How do you rate what counties are doing?" Of course, the staff people--this is where the Dave Doerrs come in--went to the board and said, "What are you doing? How can we find out about what's doing here? How can you rate whether the counties are complying with the statutes we passed to implement Proposition 13 and the regulations that you have adopted to implement 13?"

NEVINS:                   So we stumbled around, I think around 1983, 1984, and tried to develop different ways of seeing whether we were in compliance, I think is the word or some word like that, with the law. Here were the things we were looking for. Was the new construction being enrolled in a timely way? Remember Deukmejian had this special tax thing [supplemental roll] that he put in? Were they doing that or were they just not doing it at all? Did the county have a mechanism to find new construction? Proposition 13, by its reduction of the use of property taxes, also encouraged, inadvertently, the use of building codes and building fees as a way of getting county revenue. Although it's not supposed to get revenue, it does---take it from me. So that was number one. The next one: on the change of ownerships, were the counties properly administering the law or were they exempting from change of ownership things that shouldn't be exempted? These are the two things that we really worked at. We spent three or four years after Proposition 13 trying to be sure that the base year values were properly enrolled. Then we ran into a period where the statute of limitations on that went by. I believe in L.A. that was three years, the other counties were two years after Proposition 13, so that issue had gone by. If you got a low base year, you lucked out, low base for your property. I'm not sure how effective these quality measuring things are. As you point out, I was just about to leave when

NEVINS: these things were coming on. We got people to do the work, I understand, in the budgets that came on after I left. How successful we have been, I haven't any idea.

de GRAAF: Was that later 90 percent supposed to be of market value?

NEVINS: Let's say our people would go out and choose a sample of items on the roll, like new construction. Let's say there are 10,000 new construction items; they took 150 or 200 of them. Then, they'd go out and look at the properties and see when the work was done, how much it would cost, how much value it would add to the roll. Then, they'd go back and see what the assessor did and see whether he complied with the law.

de GRAAF: By coming to such and such a percent of what their sample had. I see.

NEVINS: Basically, what we said--we're talking about commercial property now--is that what the new construction ought to do is, there ought to be the value of the property before the new construction and the value afterward. That difference would be added to the base year value. You wouldn't just go and put on the cost of the stuff; it may not have added that much value. So you have a certain kind of subjectivity. Basically, what counties do is, they just put on the cost of the new construction. For lots of properties, that's adequate. But you have to know what is new construction and what isn't. What is remodeling? In this house, we did a lot

of remodeling. They didn't add much value to this thing for all the work I did. [Laughter]

de GRAAF: I think that makes that bill a bit easier to understand. To begin the last phase here, then, you were a member of an organization I had a difficult time tracking down. It was called the Tax Advisory Committee. Do you recall that?

NEVINS: I really don't remember that one.

de GRAAF: It was supposed to make broad recommendations on tax policy and reform.

NEVINS: I don't remember being active in that one. Sorry.

de GRAAF: The next thing I'm going to bring up might actually shoot all my following questions, but I was fascinated in going through the very last issue of the board's annual report--1987-1988, the last one we have at Cal State Fullerton--and they adopted last year a new mission statement. It reads like this: "The dual mission of the State Board of Equalization in the administration and collection of taxes is: 1) to provide information and responsive services to the taxpayer; and 2) to provide fair, firm, and uniform treatment of a taxpayer and to perform these functions with equality and efficiency."<sup>1</sup> End of statement. This suggests a very limited, administrative role and says absolutely nothing

---

1. State Board of Equalization, Annual Report 1987-88 (Sacramento: State Printing Office, 1988), 3.

about any broader role in the formulation of tax policy. Was that a substantial change from the mission of the board while you were on it?

NEVINS: No, I don't think it is. I think that only a few of the board members are really concerned about tax policy issues; I was one of them. I think the board viewed itself as pretty much an administrative agency, a ministerial function. I'm talking about how they acted as board members. What board members like to do, if they were going to get involved in a policy thing, is do it on their own and not as a board [member]. That seemed to be the thing. The board, particularly in the last few years I was on it, even wouldn't take legislative positions on bills that were really bunnners because the board members got involved in this campaign contribution thing that I was talking to you about. So what they would do is not oppose some exemption bill in particular. Then, the bill would come up before the legislative committee and no one would oppose it. Therefore, it would pass--you can see there had to be some sort of greasing out there--and then it would get signed by the governor. The line of talk was: "Well, there was nobody opposed to this on the Board of Equalization." I always thought that was pretty terrible. But if the board had opposed a lot of these measures, I'm sure they wouldn't have passed with just that one, single opposition.

de GRAAF: That's the basis I wanted to get for my final questions because I want to know whether I should ask you about board positions on policy, or personal. Looks like I'd be asking mostly about personal positions.

NEVINS: You can try and we'll see. The board did have some positions, there's no question about that. On Proposition 13, we clearly had a lot of board positions. They were adopted by regulation; they were adopted by the board.

de GRAAF: We've pretty well covered that. It was some other things I wanted to get into. The first one, though, is something I had gleaned from your biography that you wrote in May of 1986 just before you left the board. You pointed out some interesting statistics on how the amount of work the board did had grown and yet how the board had become more efficient. I'll note this for the record. Between 1959, when you came on, and 1986, the number of tax laws administered had grown from 9 to 19; the number of sales tax permits had grown from 342,000 to 764,000, 123 percent growth; the sales tax rate had grown from 3 percent to 4.75 percent--that's for the state. And its revenue had increased--and this is rather incredible--from \$709 million to almost \$8 billion, almost a 1,140 percent increase in sales tax. Total taxable retail sales, from \$23 billion to \$183.5 billion, for a 685 percent increase. Yet, at the same time, the number of board authorized employees has grown from

2,500 to 2,837, an increase of only 13 percent, with the result that the cost of collecting \$100 worth of revenue has gone from \$1.03 down to \$.071, a 31 percent decrease. To what do you attribute this ability to handle so much more work with so fewer staff, this increased efficiency?

NEVINS: I'd say three or four things. The first thing is that the board, while I was there, came into a time when it could use data processing equipment efficiently, and our work lent itself to data processing. We were an early heavy user of data processing equipment. We always had some kind of data processing, the air-operated Hollerith-type machines in the property tax in the administering of the state utility roll. But we got more and more into it in the sales tax. We were already using hard-wire systems when I came on in 1959, and we went on into electronic systems as early as we could. As soon as machines were available that could do the work, we acquired them. We didn't always get the state of the art, but we were right up there. The result of that was that we had to develop our own programming potential because nobody on the outside could program our work at that time. It was a successful use of the machine; we really could grind stuff out. The down side of being in on it early was that we had a lot of programs that aren't, in today's world, very good, and they cost quite a bit to repair or to do over. The legislature just hasn't been a bit friendly about doing

anything. The problem with using existing staff for that is that we have so much new work all the time. The legislature loves complex programs. So that you have to spend time with your staff just keeping up with the changes they make. Like, we went from compound interest back to simple interest, and that kind of thing. That's a big program, very big. You get the new tax laws. Each one has its own data processing problem, so you're utilizing your staff for that instead of repairing the old stuff. That's on the data processing side.

The next thing was that we got modern management techniques going. When the board started administering the sales tax--and the board had 21 employees or something before the sales tax and went up to 2,000 in a week--they got a lot of patronage employees. I mean, when the sales tax was enacted by the legislature, and I think each assemblyman got to appoint 4 employees and each senator got to appoint six, voting for the law. So they sent their appointees in, and some of them were very good and some of them weren't.

de GRAAF: Are you implying that patronage was a motive for enacting the original sales tax?

NEVINS: Yes, indeed. Nineteen thirty-three was the bottom of the [Great] Depression. These appointments were a big thing. The tax was a "temporary measure."

[End Tape 13, Side B]

[Begin Tape 14, Side A]

NEVINS: We were onto the modern management method. The board's organization was established by tax law. So we had a thing called the "basic internal survey"--that was one of the big issues before I came on the board--which recommended that the staff be organized on a functional basis. There would be the compliance, the auditors, and the administrative activities, and the administrative would include data processing. We did adopt that in 1959, the latter part, and we did go in for training and development. We did go in for more effective training. The board hadn't really had an effective system of recruiting auditors, particularly, and other employees. They depended on the personnel board to do it, and the personnel board really didn't do anything. They thought we were in the depths of the Depression and people would stand in line to become public employees. They didn't. If you wanted somebody, you had to go get them. So we went into recruiting good people. We improved the organizations. When you start to do that over a period of time, you get more efficiency; it just grows. We also reallocated the employees. We increased the scope of our offices out of state. New York had fifty or sixty [people], and Chicago had about the same.

de GRAAF: What was the function of these out-of-state employees?

NEVINS: These were auditing the retailers who did business in California who had their records outside California. Sears

[Roebuck and Company] actually had their records in California at that time; they don't now. But lots of big retailers' records were someplace else, so we went where the records were. We could require the records to be brought here, but--I won't go through the whole banana--it's better to do it that way. These offices [on a] per-hour basis were much more efficient than the in-state operations. The typical out-of-state auditor, even though he wasn't as good a man as the ones on the in-state--he wasn't as well trained--would yield, say, \$500 an hour, and the in-state auditor might get \$150, \$200. We had \$600 in-state auditors when I left; we even had \$1,000 per-hour in-state auditors. But outside the state, we had plenty of them that made \$2,000 an hour. Some of the taxpayers used to yell at me about it. I said, "As long as they're getting \$2,000 an hour, I'm not going to move the guy an inch." [Laughter]

de GRAAF: This would be simply from the amount of sales that they found?

NEVINS: What they found is, they hadn't allocated the sales or they hadn't paid use tax. The biggest single thing you tend to find when you're auditing taxpayers that haven't paid is that they bring capital equipment into California and don't pay us the sales or use tax on it. That's the biggest single misplaced tax thing, as we call it. Sometimes they just would have money and not pay us. We've had plenty of

taxpayers that collected the tax and just waited for the auditor to come. There's a certain amount of that. There are some people who play games with you, so you do the best you can. But overall, when you take all the things--the staff improvement, the improved organization, the improved data processing equipment--and put them all together, with the pressure on budgeting--that's where they don't give you the resources--you try to become efficient, and we did. I think we had a good staff. I think the thing that people on the outside don't realize is that, generally speaking, government employees are better than the private people they're in competition with. You don't have the dummies that you have in the private industry; they just don't get in the system. You may not have the brilliant people, although you have some, but you have a good quality of employee. They're not all perfect, I don't want to kid you, but you'll find that people who come in from the outside and who had lots of employees recognize that.

de GRAAF: Somewhat in, not exactly, opposition but offsetting this is the growing amount of reference I found by the early eighties to the problems of tax evasion: the underground economy, the gray area of out-of-state sales, the evasion you mentioned of business use taxes. Did you observe more or less public honesty as far as taxes were concerned toward the end of your term as compared to the early years?

NEVINS: Maybe I wasn't as observant as I should have been when I came in, but it certainly seemed to me there was a lot more tax evasion and avoidance in the end. I think it was brought about by a number of factors. I think the first one, the sales tax rate had been raised up quite a bit. You get to 6.5 percent, you've got clearly a bigger cost problem than you did when you had a 3 percent. You'll spend more time trying to evade a 6.5 [percent] than you will a 3 [percent]. I think there's that. There had been the Governor Reagan and President Reagan, who had slammed and trashed government all these years and got people thinking maybe they didn't have to do these things and that taxes were bad. I think part of the problem was that the reorganization of federal income tax sort of affected state taxation. It's true that we reformed property tax a great deal in California, but I don't think the public recognized that. They just look at it as too much tax rather than that we had reformed it. It's amazing, though, in the sales tax, most of the people you deal with are not really terribly antagonistic. I sat in a social security office recently for a friend of mine. I noticed people are much tougher on the social security people at the desk than they are on our people. I was surprised. They're much more demanding, much harsher.

de GRAAF: The sales tax is, basically, on an honor system, isn't it?

NEVINS: It's basically, if you really look at it, kind of a nasty little tax. But what we tried to do, you went back to when you were talking about the mission of the board. What we tried to do as a mission of the board is ameliorate the harsh characteristics of the tax by letting the people know how to do it and making it appear that it's inevitable that you pay it and all that kind of stuff. That takes a lot of the sting out of it. Then, they get the feeling they're charging the customer for it, so it's not "our" money. That concept just doesn't stand up economically, but we won't tell them.

de GRAAF: Did either the board in general or you personally ever approach the whole question of taxation by comparing California's tax burden with that of other states in making your recommendations?

NEVINS: There were, of course, innumerable studies of that, looking at it fifty different ways. In the first years, up until Proposition 13, California was clearly a high tax state under any possible measure you wanted to use. That doesn't mean that our taxes were the highest. Like, the property taxes per capita for \$400 worth of income. But when you took the aggregate, we were one of the leading high tax states. We offered a lot more governmental services than a lot of other states did; we still do, to some degree. So we were aware that we were high tax. The question that always

arose, at least in my mind, was, were we fair? Did we have a regressive tax system? Were we taxing the poor to benefit the rich? I think that, over time, whatever harshness we had in that we ameliorated to some degree. Our food exemption, even though it's a very inefficient exemption--I would handle it differently today--got part of the sales tax off poor people, and that plus not charging any tax on rent for homes put poor people in the position of really only paying sales tax on clothing and articles they use in the home that weren't food. So they really weren't too heavy a part of the system. Our income tax system generally has been arranged, particularly after the reforms when Reagan was governor, where you had the deduction. The deduction in California is measured differently than it is in the federal.

de GRAAF: Standard deduction, you mean.

NEVINS: It's handled differently in California. The way it works is that it's worth the same dollar amount, whether you're rich or poor, whereas the deduction when you have a graduated rate is really a deduction on the highest rate not the lowest rate. In California, it doesn't work that way. It's the same dollar amount. We don't have deductions; we have a credit that's measured in dollars. When you do all these things together, the system really isn't very regressive. Now, the tax reform types will rail and scream and holler, but generally speaking, when you look at the California

system as a whole, it's a pretty fair system. I think most of us in tax administration in California tried hard to keep it that way. The senior citizens' programs that we put in in the sixties were aimed at that. When the tax reforms in the Reagan years, when he was governor, were aimed at trying to make the income tax very progressive, and it is, relative to other states' income taxes. We never just piggybacked on the federals; we had our own self-standing system. We used the things in the federal system we liked. The legislature's pretty much supported that all the way. The corporate income tax is working pretty well. We felt, over time, that we had a relatively fair system compared to other states.

de GRAAF: So these sorts of studies were being made.

NEVINS: Oh yes, every year or so. They were out there all the time.

de GRAAF: Just to mention a few real gaps in specific taxes. Before it was ended in 1980-1981, the inheritance and gift tax in California was something like 195 percent of what the comparable taxes were in other states. Do you recall if that was at all a factor in deciding to end that tax?

NEVINS: Right after Proposition 13, we had this revenue surplus. The inheritance tax contributed to that. The way the inheritance tax worked in California. . . . It had been originally designed so that lots of the estates weren't affected by it. But as inflation came along, more and more

estates started getting hooked by the tax. If you had a \$10,000 house in 1946, and that was the only thing in your estate, chances are you never saw the tax collector. If you had a \$120,000 house--I believe the number was \$60,000 or somewhere in there--then you started getting affected by the tax. The taxes had different rates for your closeness to the deceased. So it became a big revenue getter. The first step, as I recall, in the abolition of the tax, which I strongly disapproved of, was raising all the stuff up so it was more like it was in the thirties and forties. Then, I think, the rates were cut in half for awhile. I think the bill by the now senator from north of Colorado Street here in Pasadena--from Bakersfield--passed.<sup>1</sup> I thought it was a terrible mistake. Nobody campaigned much against it at the time. Part of the reason was we still did have the surplus. I think it was a mistake to get rid of that tax. I think it was a way to tax property that may not have ever been taxed before and should have been taxed.

de GRAAF: On the other hand, two things that California's very much in the low side of. The gasoline tax has only been raised once

---

1. Reference is to Don Rogers, who while an assemblyman sponsored initiative Proposition 6 on the June 1982 ballot. It repealed the Inheritance Tax Law and Gift Tax Law and provided for an estate tax equal to the maximum allowable federal estate tax credit for state death taxes. Proposition 6 passed by a margin of 64.4 percent to 35.6 percent.

since 1963. I think today, at nine cents a gallon, California is one of the lowest of all gasoline taxing states. Do you have an explanation for that?

NEVINS: I think you have a problem there that Jerry Brown came in, and he wanted to be the kind of Democrat that was viewed as not raising taxes. He felt that the national criticism of Democrats was "tax and tax and spend and spend," so he wanted to be the person who went out of office without having raised taxes. He narrowly succeeded. The gas tax, I think, was the only tax increase of any consequence. Of course, he left the state in poor financial condition. So then poor old Deukmejian, who was a Republican, comes in, and he had some tax enhancements which were rather considerable--\$900 million, as a matter of fact. This balances the budget, but he doesn't have to have any overt tax increases. He wants to be able to go down in history that "I didn't increase any taxes while I was governor of California." That's what he wants to happen. I think it's misplaced but that's neither here nor there. So the result is we have these absurdities. Well, gas taxes average low, though when you add the sales tax on our gas, it's not that much below the national average. But the really low taxes are the cigarette tax and the alcohol. Beer and wine are just absurdly low compared to

other states. I believe with a voter-approved tax increase,<sup>1</sup> our cigarette tax is somewhere near the average now. I believe it's just about the average, with the new rate. Cigarette taxes [in other states] when I first came in were very low. They were two [cents] and three [cents] and five cents a pack. Then we [Pat Brown administration] came in, I believe, first with five [cents] and then ten [cents], and it stayed at ten [cents]. Other states started to go to twelve [cents] to fifteen [cents] to twenty [cents]. When I left office, we were one of the low states at ten [cents]. There were only a couple of states. . . . North Carolina was one of the very few that was below us. I think cigarettes are considered fair game for taxes because of health problems and so on. But in California, the liquor tax just seemed to live a magic life. I don't know why. I never felt there was that much strength in the beverage industry to block a real effort to raise taxes, but there never was any [effort].

de GRAAF: Finally, California also has very low severance taxes on the extraction of minerals and oil.

NEVINS: I've heard lots of talk about that. When I first came into office, a lot of people wanted to levy the severance taxes. What one of the problems was with that, as we saw it, was you levied the tax on the production, and it was OK if you didn't export any of your products. Basically, California could make

---

1. Proposition 99 (November 1988).

a case it doesn't export much, especially now. But when I first came in, it did. But I think our property tax on oil was much higher than other states. We had a more effective way of collecting property taxes than other states and we were more sophisticated at it. So we got revenue there. Our corporate income tax was more efficient and effective than other states'. So if you balance that off against the severance tax states--Texas, Louisiana, Oklahoma--you found that we weren't doing that bad as far as taxing industry was concerned. They were probably doing a little more than we were but not that much more.

de GRAAF: When you get to the relationship of taxes to personal income and comparing the other states, you really get into what might amount to a tax philosophy. I'd like to run a couple of tax philosophy ideas by you to see if any of these were ever seriously entertained by the Board of Equalization. First was that one you find running from Proposition 1 of [November] 1973 through the Gann initiative, Prop. 4, to, I think, some of Deukmejian's policies of today, and that seems to be the idea that if you put limits on spending or a ban on added taxes, economic growth alone will produce the revenues that the state needs.

NEVINS: I don't think I or any of the other board members ever bought that. I'm not even sure Dronenburg ever bought that. I think we thought those things were silly. We felt that [in]

the states that had similar things--the state of Washington is one that does--there were always loopholes, and it made a mockery of talking about revenue systems in an organized way. You played games with your tax programs, and we felt that that wasn't the way to go. The governor and the legislature should take the rap for the spending program, should take the rap for the taxes they levied. The people had a lot of remedies at hand to deal with them: voting them out of office, referendum, recall. I don't think you need a Gann initiative.

de GRAAF: So that sort of idea has been discussed in Board of Equalization meetings?

NEVINS: I think we always felt that what would happen is, you would have this great crunch on state budgets and stuff like that, and the people wouldn't stop their demands for government services. We never saw that. Even after 13, they didn't. A lot of people complained violently when local governments cut back, saying, "That isn't what we meant with Proposition 13." Well, the question is, "What the hell did you mean?" I personally fought all of those. I think with the so-called Gann initiative that [it] was hopeless to fight that one. It got to be a bipartisan [issue]. McCarthy was one of the sponsors of the thing. That's one of the reasons I don't like him and don't support him.

de GRAAF: The opposite view of that would be--I've seen it expressed by

some professors, and I'm interested in knowing whether it ever came up on the board---modern society needs increasingly complex skills and faces increasingly costly problems. Therefore, if anything, the ratio of revenues to personal income must almost constantly go up. Do you recall if that was ever discussed?

NEVINS: No, we never discussed issues like that. Of course, we've shown you don't need to do that. I think the biggest problem you have in any governmental program is that it never seems to end. The people who are benefited by it twenty years downstream aren't the people who put it in place in the first place. They became sort of a lobby to keep it going, and you wonder why. We managed to get rid of the veterans' property tax subsidy by using the homeowners' exemption as an offset, meaning that you couldn't take both. That's one of the few programs we managed to really cut down. The board actually had some tax programs extinguished. Some of them, we were constantly recommending. The 911, we're not very happy with that. I believe that's still on, though, but the Moore telephone users' tax, I understand, has been abolished, and we strongly recommended that from day one. We said it never should have been a tax. The utility users' tax, we just think it's crazy. We think a lot of those are nuts. Some of them will go, I'm sure, because they're just small programs. The big programs get in government and then just stay on, and

you wonder why they're there. Jerry Brown wanted to get rid of all those regulatory boards. He finally got rid of, I guess, the dry cleaners board. Why do we have to regulate ship brokers?

de GRAAF: Ship brokers had a special regulatory board?

NEVINS: Oh yes.

de GRAAF: Talking about Jerry Brown for a moment, he seemed to acknowledge this idea I put out because he had made a lot of stress on environmental control and energy alternatives and mass transit--all new and complex ideas. Yet, aside from that special energy surcharge, he doesn't seem to have pushed taxes to take up the cost of these programs.

NEVINS: What happened during his tour of duty as governor is that we had a tremendous amount of inflation. The way the gas tax worked, it didn't work well with inflation. In other words, it's so much a gallon, and we had economy, and the use of gasoline by each vehicle. Instead of four miles to the gallon, you now get twenty. So the tax to support transportation in California, which is primarily automobiles, really went down in relation to the real value of the dollar. So the road system went into a decay situation while Jerry was governor. Then, he came out with trains and all this sort of stuff and diverted some of the sales tax and gas tax money to support these gimmicks. I don't think they're very successful, any of them.

de GRAAF: But did he or anybody else ever acknowledge that if we're going into these experiments in alternative transportation, we need a greater tax base to support it?

NEVINS: I never heard him or any of his people say it. I've heard other people talk that way but not him. He may have but I didn't ever hear it.

de GRAAF: One final idea you've already alluded to, and that is the misgiving that Reagan and economists like Milton Friedman have had. I'll quote Reagan on it. He made a speech on behalf of Proposition 1, once again, in 1973, in which he said that California faced a tax future that would leave its citizens "defenseless, at the mercy of a vast special-interest-oriented government bureaucracy they had unwittingly helped to create." Therefore, as Proposition 1 would have specified, you needed both to cap off taxes and a limit on government spending. Did the board ever share that misgiving that special interests were skewing the tax system inevitably upward?

NEVINS: No, I don't think so. I never heard anybody talk about it. We had had increases in taxes because we had vast increases in programs in the sixties under Pat Brown. We took the university system and the state college system and made tremendous expansions. The junior college system was expanded. We had the California Water Plan put in place. There were a whole lot of other programs that were already in

place, so naturally you had to have some money to pay for them. I think people understood that. But the question is, did you want to have those programs? And that became the issue under Reagan. "I want them but I don't want to pay for them" was the attitude, and Reagan lived on that cleavage of reality and fancy.

de GRAAF: Do you feel in any way that the exemptions to property and sales taxes are a reflection of this feeling that special interests will keep pushing taxes or tax privileges?

NEVINS: What happened in the last couple of years of the Brown administration--Jerry Brown--was that he was so weak as a governor at this point, he didn't want to take the legislature on. So what happened was that the legislators were receptive to special interests who offered campaign contributions when some lobbyists would come up. The lobbyists found that that was one of the things they could do for their group was get a tax gimmick. People were just wild about tax gimmicks in those days. Some people still are, by the way. So he'd go out and get some sales tax or income tax exemption for his people, and some of them hardly knew what he was doing. Then he'd go back to the trade association meetings and say, "I got this exemption for you." Most of them didn't make any difference. I'd say the most stunning one, costwise, was custom software. People who need custom software just couldn't be less concerned about whether it has

a 6.5 percent sales tax on it or not. I'm just picking on that one. So you need an exemption to sell software!<sup>1</sup> It was subject to the tax, and that was just weird. That's the biggest one of the ones that went to Jerry Brown, but there are a whole bunch of other ones that were as bad on a concept basis.

de GRAAF: Were Reagan or Deukmejian or the Republicans in general much more circumspect about these exemptions?

NEVINS: Very few got through under Reagan, mainly because I don't think people had thought about doing it. That's when the hot-food-to-go became taxable because there was some gimmick in the inheritance tax. What was the other thing that was exempted? Reagan's deal was you can have your inheritance gimmick if it's revenue neutral. Making hot-food-to-go taxable raised the revenue to fund the exemption. To pay for it, you had to have a hot-food-to-go tax. So we had to figure out how you were going to tax hot-food-to-go. I was involved in that one up to my eyeballs. Incidentally, Reagan was in the hospital, having just had a prostate operation, when he signed this bill. That's the kind of thinking we got under Reagan. Under Jerry, I don't think there were such offsets. Remember, the state had a lot of money and this was a soft place, so people just went for it.

---

1. Custom computer software was exempted from the state sales tax by A.B. 2932, 1981-1982 Reg. Sess., Cal. Stat., ch. 1274.

de GRAAF: Under Deukmejian, has there been a curtailment of exemptions?

NEVINS: He doesn't get out and fight them. But I think if you get one where all the Republican legislators are for it, then he'll sign it even though it's a turkey. He doesn't just say, "I'm going to veto that," which is what he should do on a lot of these things. He may have learned in the last year or so that maybe he should have been vetoing those bills because he is having a revenue problem and he is going to have to raise some rates.

de GRAAF: Do you feel that weeding out a lot of these exemptions might be one answer to the current crisis in funding?

NEVINS: I think you'd have to have a big change in the legislature before you're really going to get it. I think you'd have to have a speaker change and take out of the legislature maybe about twenty other guys, more senior members of both the senate and the assembly, before you really can do it. But I could see it sometime in the future. People are going to say, "We ought to do with state taxes what they did with the federal and get rid of the exemptions and lower the rates." The food exemption could be dealt with very effectively. It's got to be looked at sometime. It just can't be that sacred. Here you have all these yuppies eating expensive food, getting it exempt, and there's got to be a better way of dealing with the food [tax]. We have a rental credit that we pay. I think we could use the food exemption in something along the way we handle the rental [credit].

de GRAAF: That's a very interesting idea.

NEVINS: I think you could limit it so that X bucks would be what an ordinary person's family would have for food, and that would do it. There are some problems reaching some of the people--illegal aliens--but I believe, over time, the illegal alien problem even there is going to change so that it won't be in the size that it is now--millions of people.

de GRAAF: These are about all of my questions. Do you have anything else you'd like to add on liberal tax policy?

NEVINS: I think the biggest thing that bothered me the whole time I was a tax administrator--twenty-eight years--was that no one ever really made a sophisticated study of how taxes really affect people's individual decisions. You always have these guys talking about "If you levy this tax, this business will move." We levy quite a lot of taxes, and in California it's amazing how the multinationals really have moved out of California. I don't think taxes is the reason they moved out. It's amazing how this state has grown without the multinationals. It's really interesting. You might say it's better not to have them. So if you taxed them to get them out, you benefit; you could make a really strong case for that. But the point is that people say, "If you tax this, it's going to ruin people's lives" or "It's regressive." What you'd really like to know is, what kind of decision do people really make based on these taxes that we levy. Most

of them, people just don't pay much attention to. That's my experience. There was all this talk about property taxes and how terrible they were. Actually, when you really cleared away the smoke, for the well-to-do people half the tax is paid by the federals; it was a deductible amount. So what was all the squawk about? On business-type properties, it's totally deductible. On apartment houses, deductible again from the landlord, and he could pass the thing on to the tenants. We gave the tenants some kind of relief as it was. So how did we get where we are? In other words, we grope in the dark to get the answers without any effective study. People who are launching a new product spend a lot of time trying to find out, is there a market for this product? What is people's attitude? We've never done anything like that in taxes, and it needs to be done.

[End Tape 14, Side A]

[Begin Tape 14, Side B]

NEVINS: I'm just laying it on you a little bit there. I just think there's got to be much more effective knowledge by government of how people really feel about taxes. I think people sort of create values by rhetoric about how people ought to feel about taxes. I don't think they really feel that way. You're going to have some people out there that are against all kinds of taxes all the time, but usually you find that's a very small fraction of the people. One of the

things you want to do in government is to have the confidence of the people, and one of the ways you erode confidence is talking about taxes all the time as if it was some horrible thing. On the other hand, you want to stop crime or something. Well, you can't do that if you keep running government down. If you want to have good schools, you can't run down the system.

de GRAAF: While you were on the board, did you ever raise the idea of this study?

NEVINS: Yes, a number of times.

de GRAAF: Did you ever have any support for it?

NEVINS: I came fairly close once. I think when Jerry first came in, there was some problem. I'm sure when somebody looks through my files, they're going to find the letters, because I wrote about it. I wrote the governor a couple of times on it. I talked to Doerr about it a lot, trying to find a way to get it. I think I talked to Hannigan about it. But it never got into any kind of form. It's something the governor has to decide, "I want to do it." He's got to say, "This can be part of my program. I'm going to find out how do they really feel about this. Should we make some changes so that we make our people feel better about this tax system?" Actually, the legislature is fairly reactive; they didn't let things get out of hand even in the [Proposition] 13 days. I think people had a lot of ambivalence. You had this tremendous

increase in property values, and ordinary people had no idea what capital gains meant. You'd go out and talk to somebody about "Gee, you've had this tremendous capital gain."

"What's that?" They didn't realize, as I said, "It's money you can borrow against." They would respond, "But I've got to have a house someplace." I would say, "You can move and go to a cheaper place." They were talking about houses along the beach. That's one thing that I never got to first base on. Of course, it's never been done at the federal level. The feds do do something where they get some of this information, where they make these audits of people. They aren't picked because they're not paying taxes; they're picked to see how the compliance system works. There are about 150,000 of those made a year. It's quite a big number of taxpayers.

de GRAAF: This does tend to yield some information on how people feel about taxes?

NEVINS: What they're trying to do is find out, are they able to comply with the law? Does it make sense? One of the reasons for the tax reform law [of 1986] was to get rid of a lot of baloney that was in the tax law. It was getting so that nobody understood what it was. You can't have a tax system people don't understand. One of the things that bothers me about the sales tax as I got near the end is, I couldn't give the right answer all the time. When I first was in office, I

learned the tax law and I could tell people what the answer was, and it was right 99 percent of the time. I gave a guy some advice the other day, and I'm not dead sure it was right.

de GRAAF: Is this because of all the exemptions they've added to it?

NEVINS: Exemptions and gimmicks. I'll just recite it and you can get an idea. This fellow owned an airplane. He bought the airplane in Van Nuys and leased it simultaneously to a person in Oregon who took the plane out of the state, to Oregon, and used it there for a couple of years. They cancelled the lease for reasons that have nothing to do with the thing and brought the plane back to Van Nuys, so the plane is grounded in Van Nuys. We have a use tax on airplanes that was put in the same as automobile use taxes. So the guy calls me up and says, "We just got this bill from the Board of Equalization on this tax." I said, "On the facts you've given me, I think you owe the tax. I think the problem you have is, what is the measure of tax? What was the plane worth when you brought it back into California? That's your issue, not whether you owe a tax." I'm pretty sure I'm right on that one, but I wouldn't want to bet my life on it, I tell you.

de GRAAF: With that interesting anecdote, we'll end.

[End Tape 14, Side B]