

## **Pushback Against “Austerity”: The Emergence of a Pro Public Revenue Coalition in San Francisco, 2008-12**

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This brief paper seeks to highlight one of the best kept secrets in recent San Francisco political history: the emergence over the last five years of a widely successful electoral coalition of faith and community based affordable housing developers and advocates, health, human service, environmental and economic justice, youth and family advocate non-profit organizations, key neighborhood and community groups and progressive private and public sector trade unions. This multifaceted electoral coalition came together to campaign for ballot measures aimed at increasing public sector revenue during the period of the Great Recession and stringent budget cuts to the public sector.

The paper covers elections in 2008, 2010 and 2012 for 6 specific revenue measures aimed at increasing public revenues available for direct municipal funding of affordable housing and health and human services to low income San Franciscans, mainly provided by faith and community based organizations.

The six measures are:

1. 2008 Props N transfer tax increase, Prop O telephone users tax, and Prop Q which redefined and taxed “business partnerships” (all three passed),
2. 2010 Prop N transfer tax increase (passed)
3. 2012 Prop C \$1.4B affordable housing set-aside (passed) and Prop E the gross receipts tax with its \$30M a year in new revenue (passed).

These measures raised or “secured”, annually, \$187m in new revenue to the general fund. In addition, a total of \$1.5 B over thirty years was secured for municipally funded affordable housing development.

The scale of this allocation of public monies - \$187m annually - combined with the fact that it was done by virtue of a majority (or even 2/3rds) popular vote make it an exceedingly rare socio/economic/political phenomenon during any time, but even more remarkable during a period of deep economic reverse. The fact that large numbers- in the five winning measures between 150,000 to 220,000 voters- of San Franciscans overcame their concerns over the “great recession” and voted for public funding of community health, affordable housing and social services clearly demonstrates two realities: first, the campaigns were based on measures that were needed and effective and second, voters were shown that fact by an effective political campaign.

While the later campaigns - the 2010 Prop N and 2012 Prop C and E - featured a joint “community-labor” and then a “big-tent” effort that included the Mayor and business organizations, the 2008 measures were mainly the products of community based

organizations working in concert with the Board of Supervisors drafting the measures and then placing them on the ballot by votes of the Board.

### The Great Recession and Federal and State Abandonment of the City

There had been a long, slow fall of federal support to cities starting under Carter but greatly accelerated during the Clinton Administration (1992-2000). This was especially true for assistance for affordable and public housing and general low-income community development. With federal assistance being defined in the Clinton era as “one strike” public housing policy and “welfare to work reform,” the result was simply pushing once federal responsibilities onto local government.

Additionally, state support for urban California, especially health and human service funding and development assistance for affordable housing, never fully replaced local property tax cuts caused by the passage in 1978 of Prop. 13. Under both Pete Wilson (1991-1999) and Grey Davis (1999-2003) funding was flat, while under Arnold Schwarzenegger's two terms (2003-2011), serious additional cuts were made to urban programs as the state's debt exploded.

But in large measure, the reason behind these historic revenue-raising campaigns was local.

### The Newsom Years

In the face of the federal and state cut backs in support, the Newsom administration, forever stuck in a seemingly endless campaign mode first for re-election as Mayor in 2007 and then his run for Governor/Lt. Governor for much of 2009 and all of 2010, refused to seriously discuss new revenue measures with either community, labor or the Board of Supervisors. Newsom and his campaign staff wanted to create the image of a non-“tax and spend” liberal to balance his liberal stance in favor of same sex marriage. In keeping with this campaign “narrative”, Newsom was willing to make deep cuts in affordable housing, health and human services, especially those provided by community-based organizations. He was averse to any revenue increase during the massive deficits created by the banking and market rate housing collapse beginning in 2007.

Newsom and his political advisors went out of their way to pick an ugly budget fight in 2007, pitting health and human services workers against firefighters and police officers in pushing and shouting matches at City Hall, with the Mayor supporting increases for the latter while “flat funding” the former. In 2010, keeping the “socially liberal/fiscally conservative” narrative alive for first Governor and then, opportunistically after that attempt failed, as Lt. Governor, Newsom and his advisors turned down a business/community supported major increase in the transfer tax to fund affordable and below market rate condo development, kick-starting a moribund local housing market. Indeed, he did attack his Republican opponent as a tax and spend career politician for his

vote FOR a state budget that included some small tax increases unanimously supported by Sacramento Democrats.

What Newsom did do was raise fares and user fees, most notably Muni fares which were raised twice during his administration from \$1.25 to \$1.50 in 2005 and then to \$2 in 2009, a combined 60% increase. Such user fees and fare increases of course hit lower income residents more than the comparatively wealthy and most businesses. Plus they raised only a fraction of the ever-growing annual budget deficit faced each year from 2007 to 2010. This executive branch “budget policy” during this period of refusing to support ballot measures to increase revenue, “flat funding” health and human services, pitting fire and police unions against other worker unions for budget increases, while raising city user fees and Muni fares, simply wasn’t working.

### Building a Broad Based Coalition to Increase Local Revenue

Budget cuts were not new to San Francisco. Deep and serious cuts occurred in the late 1970’s as a result of the passage of Prop. 13, ending when the “high rise office boom” of the early 1980’s pumped new commercial property tax revenue into the economy. But with the “bust” of the office boom in the late 1980’s, \$100m a year deficits confronted both Mayors Agnos and Jordan. Cuts were so severe under Jordan that in November 1994, Prop O was placed on the ballot by a coalition of the drivers' union and community-based organizations to create a downtown transit assessment district, requiring business to pay more to fund Muni service to downtown. With a united front of the Mayor, a majority of the at-large elected Supervisors and all of business opposed, the measure was defeated. Although Mayor Brown had a temporary reprieve from local deficits due to the “dot com boom”, after the bust he too had a series of “austere” budgets, which set up a poorly organized effort in late 2002 to increase the transfer tax. Public sector unions got four Supervisors to rush a transfer tax increase to the November, 2002 ballot (Prop L), and with but a handful of community allies, was soundly defeated by 20,000 votes as business urged voters not to “write a blank check to City Hall”. The thumping of Prop. L left little interest in organized labor or the Board of Supervisors for any new revenue measures to be placed on the ballot.

Until the Newsom administration.

The market economy collapse, later known as the “Great Recession” came to a head in late 2008 with the collapse of Lehman Brothers. For the next four Muni budgets, from 2008-09 through 2011-12 the City's budget was flat and Newsom was adamant in refusing to consider new revenue.

It was during that period that new community groupings emerged who were keenly interested in increasing City revenue. The Council of Community Housing Organizations embraced the notion of a “permanent funding source” for affordable housing in the City’s budget, not generated by short term and increasingly expensive bond measures. The Human Services Network of over 70 faith and community based health and human

service non-profits joined in the desire for new local sources of revenue able to be used for funding critical human services. Labor itself had undergone re-organization with the merging of SEIU into a single union and, because of the collapse of the development market, the declining influence within labor of the building trades.

The 2008 ballot had something for everyone: a General Obligation bond to rebuild SF General Hospital of interest to both SEIU and the building trades, the affordable housing set-aside charter amendment, and three revenue increase measures. A “grand coalition” was formed, but really in name only as labor, while supporting the three revenue measures, spent all of its effort on the General Hospital bond, and the community folks did the heavy lifting on the four other revenue measures. And this time the community-labor position was supported and all but the housing set-aside won.

In 2010, with yet an additional set of new community players - Jobs With Justice and the San Francisco Rising Coalition - a major labor/community coalition effort was made to pass two revenue measures: a hotel tax temporary increase and a second increase in the transfer tax. Only the transfer tax passed due to strong Newsom opposition to the hotel tax increase.

The community and labor coalition started in 2008, expanded in 2010, stayed together and in 2012 campaigned for both Propositions C and E, both of which won.

### Lessons Learned

1. It is possible in San Francisco to get voters to support large increases in funding for local government which directly assists local residents;
2. It is possible for a community based coalition to control the drafting process of the revenue measure if the coalition is united and able to form a partnership with key Supervisors;
3. It is possible for a community based coalition to plan and execute an effective city-wide ballot campaign;
4. It is just possible, if the measure has wide support (meaning it faces little or no funded opposition) and meets a clear need, to raise sufficient funds to conduct a successful campaign;
5. It is never too early to begin planning for such a campaign as both the assembly of the coalition and the drafting of the measure takes time; starting now could mean a successful 2014 campaign.