California Proposition 13 (1978)

Officially titled the "**People's Initiative to Limit Property Taxation,**" and popularly known as the "Jarvis-Gann Amendment," was a ballot initiative to amend the constitution of the state of California. The initiative was enacted by the voters of California on June 6, 1978. It was upheld as constitutional by the United States Supreme Court in the case of *Nordlinger v. Hahn*, 505 U.S. 1 (1992). Proposition 13 is embodied in Article 13A of the California Constitution.

The most significant portion of the act is the first paragraph, which capped real estate taxes:

> SECTION 1. (a) The maximum amount of any ad valorem tax on real property shall not exceed One percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.

The proposition's passage resulted in a cap on property tax rates in the state, reducing them by an average of 57%. In addition to lowering property taxes, the initiative also contained language requiring a two-thirds majority in both legislative houses for future increases in all state tax rates or amounts of revenue collected, including income tax rates. It also requires two-thirds vote majority in local elections for local governments wishing to raise special taxes. [1]

A large contributor to Proposition 13 was the sentiment that older Californians should not be priced out of their homes through high taxes.[3] The proposition has been called the "third rail" (meaning "untouchable subject") of California politics and it is not politically popular for Sacramento lawmakers to attempt to change it.[3]

Definition

An initiative that added Article XIII A to the California Constitution. It limits property tax rates to no more than 1% of full cash value. Increases in assessed value per year are capped at 2% or the percentage growth in the Consumer Price Index (CPI), whichever is less. In 2002-03, the increase was 1.87%. It has been less than the 2% cap only five times since 1977. New construction and the sale of property, with some exceptions, also increase assessed values.[8]

Impact

Proposition 13 and implementing legislation caused a shift in support for schools from local property taxes to state general funds. Property taxes are still a part of schools' revenue limits, in varying amounts. The percentages allocated to cities, counties, special districts, and school districts were set in 1978 (adjusted somewhat by AB 8, 1979) and can be changed only through legislation.

In tight financial times, the Legislature and governor have shifted significant amounts of property taxes to education in order to ease the strain on the state budget. Cities, counties, and special districts have had to cut or find alternate means to fund their budgets.

Increases in property tax revenues do not benefit most schools because their general purpose income is capped by revenue limits. (An exception: some districts receive and keep property tax revenues in excess of their revenue limit; these are called "basic aid" districts. In 2003-04 82 districts, out of 986 statewide, were basic aid.)[8]

Challenges

The California Supreme Court has refused to consider cases; challenges to Proposition 13 were rejected by the U.S. Supreme Court in 1992. The basis of the challenges was unequal tax charges on similar neighboring properties. In 2004 the California Teachers Association began gathering signatures for a ballot proposal to raise the property tax rate on commercial properties.[8]

Q: Does a new home-owner have to pay the full tax on property even though the BANK owns the majority of the mortgage and is making money on the capital? Answer is YES, and that means home-owners, new in the last five years, are paying $500-$1000 thousand/month in just property taxes. Add interest on the loan, and even after deductions, the home-oner is out $4000/month with no increase in equity. Who can afford that?

Proposition 13 drew its impetus from 1971 and 1976 California Supreme Court rulings in *Serrano v. Priest*,Serrano[›] that a property-tax based finance system for public schools was unconstitutional. The California Constitution required the legislature to provide a free public school system for each district, and the Fourteenth Amendment of the United States Constitution (which includes the Equal Protection Clause) required all states provide to all citizens equal protection of the law. The court ruled that the amount of funding going to different districts was disproportionately favoring the wealthy. Previously, local property taxes went directly to the local school system, which minimized state government's involvement in the distribution of revenue. This system also allowed a wealthier district to fund its schools with a lower tax rate than the rate a less affluent district would have to set in order to yield the same funding per pupil. The Court ruled that the state had to make the distribution of revenue more equitable. The state legislature responded by capping the rate of local revenue that a school district could receive and distributing excess amounts among the poorer districts. Although this was more equitable, property owners in affluent districts perceived that the benefits of the taxes they paid were no longer enjoyed exclusively by the local schools.

Moreover, the state's increasing population fueled increased demand for housing, resulting in higher property values and, consequently, higher taxes. Although the revenues supported the costs of growth, such as new schools, roads, and the extension of other municipal services, older Californians on fixed incomes were especially hard hit by rising property values. Due to inflation, reassessments on residential property drove property taxes so high that some retired people could no longer afford to remain in homes they had purchased long before.

In the early 1960s, several scandals erupted through California involving county assessors. These assessors, who had traditionally enjoyed great latitude in setting the taxable value of properties, were found rewarding friends and allies with artificially low assessments, with tax bills to match. These scandals led in 1966 to the passage of AB 80, which imposed standards to hold assessments to market value. However, assessors, who are elected officials, had traditionally used their flexibility to aid elderly homeowners on fixed incomes, and more broadly to systematically undervalue vote-rich residential properties and compensate by inflating commercial assessments. The return to market value in the wake of AB 80 could easily represent a mid-double-digit percentage increase in assessment for many homeowners.

As a result, a large number of California homeowners experienced an immediate and drastic rise in valuation, simultaneous with rising tax rates on that assessed value, only to be told that the taxed moneys would be redistributed to distant communities. The ensuing anger started to form into a backlash against property taxes which coalesced around Howard Jarvis, a former newspaperman and appliance manufacturer, turned taxpayer activist in retirement.

EFFECTS

Under Proposition 13, the annual real estate tax on a parcel of property is limited to 1% of its assessed value. This "assessed value," however, may only be increased by a maximum of 2% per year, until and unless the property undergoes a change in ownership. At the time of the change in ownership the low assessed value may be reassessed to full current market value which will produce a new base year value for the property, but future assessments are likewise restricted to the 2% annual maximum increase of the new base year value. Therefore, properties of equal value have a great amount of variation in their assessment, even if they are next to each other.

If the property's market value increases rapidly (values of many detached dwellings in California have appreciated at annual rates averaging more than 10% over the course of several years) or if inflation exceeds 2% (common), the differential between the owner's taxes and the taxes a new owner would have to pay can become quite large. If a property is reassessed to full market value, the increase in taxes can also be quite large. Assuming that the price of a house is somewhat a determinant of a person’s wealth (and therefore ability to pay) and benefit received, this feature would lead neighbors or business owners who purchased a property at different periods of time to pay a different assessment, without any relationship to ability to pay or benefits received.

The property may be reassessed under certain conditions other than a change in ownership, such as when additions or new construction occur. The assessed value is also subject to reduction if the market value of the property declines below its assessed value, for example, during a real estate slump. Reductions in property valuation were not provided for in Proposition 13 itself, but were made possible by the passage of Proposition 8 in 1978. [1]

Beyond that, and perhaps more important, the new law required a two-thirds vote of the Legislature to impose any new state taxes; a subsequent amendment required a two-thirds "supermajority" of voters to approve local taxes or bond issues for "special purposes," such as fixing roads or hiring more police. [4]

Negative Effect on Housing Market; Proposition 13 contributes to an inefficient housing market because it provides dis-incentives for selling property in favor of remaining at the current property and modifying or transferring to family members in order to avoid a new, higher assessment. Young people who would be wealthy in other states are "house poor" in California, and are forced to live dozens of miles from their workplace in order to afford a home. Thus, the Proposition can be seen as a transfer tax from the working classes to the retired class, as retirees are subsidized and the young have fewer working hours in their day because of long commutes. (This may seem fair as the young have kids, while old have already raised their young, and have grand kids.)

Proposition 13 greatly benefited homeowners whose homes have appreciated in value since it was passed, particularly those (such as the elderly) whose incomes have not risen as fast as property values. In cities with many older residents, this has led to a severe shortage of affordable housing, since new developments must often be far above the state's median home price in order to provide enough tax revenue to pay for the services they require. Impact fees have offset this problem somewhat, but are limited by developers' ability to go "jurisdiction shopping" for localities with low impact fees.

In essence, young couples and home buyers are subsidizing the real estate investment portfolios of those who have owned for longer periods. This is analogous to the same situation that was used as an excuse to push Prop 13 in that taxes from one district were being diverted to other districts. In this case, higher taxes from recent buyers subsidize the more established people in the district.

Owners of commercial real estate have also benefited: if a corporation owning commercial property (such as a shopping mall) is sold or merged, but the property stays technically deeded to the corporation, ownership of the property can effectively change hands without triggering Proposition 13's provision that fixes the amount of tax based on the property's resale value.[3] Since many properties owned by large companies are nominally owned by shell companies whose sole assets are the properties in question, this has led to situations that have struck many commentators, such as Steve Lopez and Michael Hiltzik of the *Los Angeles Times*, as absurd and unfair, with companies taking a lesser percentage of the overall tax burden than private homeowners.

Local governments now use imaginative strategies to maintain or increase revenue in the face of Proposition 13 and the state's attendant loss of property tax revenue (which formerly went to cities and counties). Most California localities have recently sought their voters' approval for special assessments that would levy new taxes earmarked for services that used to be paid for entirely or partially from property taxes: road and sewer maintenance, school funding, street lighting, police and firefighting units, and penitentiary facilities. Sales tax rates have increased from 5% (the typical pre-Prop 13 level) to 8% and beyond.

Negative Effects on Cities and Localities: Proposition 13 disproportionately affects coastal areas, where housing prices are higher, over inland communities, where housing prices are lower. Cities and localities have become more dependent on funds from the state, which transferred to the state more power over local towns and cities than they otherwise would have had. **The state provides money in "block grants" to cities to provide for services** and totally bought out local county health and welfare centers. Local governments have also become more dependent on sales taxes for funds, which some have said has resulted in poor land planning and encourages cities to encourage more retail stores and "big box"-type outlets and the jobs and ongoing sales tax those stores provide, rather than encouraging the growth of other sectors and types of jobs that may provide better opportunities for residents.

In addition, cities have turned to an increase in fees to make up for the shortfall, with particularly high fees levied on developers creating new houses or industrial outlets. These costs are transferred to the building's buyer, who is often unaware of the thousands in fees paid because it is hidden within the building's cost. They then pass the cost on to their renters in the lease, who pass the cost on to their local customers and low wage employees.

Education: California public schools, which in the 1960s had been ranked among the best nationally in student achievement, have fallen to 48th in many surveys of student achievement. California's spending per pupil was the same as the national average until about 1985, when it began dropping, which led to another referendum, Proposition 98, that requires a certain percentage of the state's budget to be directed towards education. Public libraries have seen a decrease in funding from cities.

Progressive Analysis:

The Truth About Prop 13

By Robert Cruickshank
The 30th anniversary of Prop 13 has brought out a raft of commentary in the state media. This commentary tends to split on whether Prop 13 benefited or hurt the state - as if there is still any doubt that it was a disaster - but it rarely examines some of the underlying assumptions of Prop 13, and even more rarely does it explore the deep inequality it has enshrined into our state.

Much of this stems from a fundamental misunderstanding about what Prop 13 was and what it did. Voters convinced themselves it was a populist revolt against rising property taxes. They believe this so fervently that they act as if they willed it into existence.

In fact Prop 13 was an extremist attack on the very practice of state government by a group of far-right activists, with property taxes used as a convenient cover. Those who voted for - and who say they would vote for it again - still seem to believe its primary purpose was to protect homeowners, when its true goal was to destroy public services by starving government of revenue - otherwise why include the 2/3 rule? Why give commercial property the same protection as homeowners?

Further, there seems to be widespread misunderstanding about the level of taxation - especially property taxation - in California. California ranks 38th in property taxes. Somehow homeowners in the 37 states ahead of us haven't been losing their homes to taxes. One consequence of Prop 13 was a shifting of taxation to sales and income taxes - sales taxes are regressive and income taxes can be volatile. Prop 13 is therefore directly responsible for California's regressive and unstable budgeting. No Prop 13, no structural revenue shortfall.

Dan Weintraub argued that Prop 13 didn't devastate government finances. But does he even read his own paper? Peter Schrag pointed out in the California Progress Report last week that Prop 13 did have that devastating impact:

"California's per pupil school spending, which was among the top 10 states in the 1960s, is now among the bottom 10. Proposition 13 alone is not responsible, but along with two major court decisions that preceded it, it helped decouple school funding from the local tax base and thus undercut voter incentives to fund education generously, as it had been in the generation after World War II. Our roads, once a national model, are an embarrassment. ...

"California once had a communitarian ethic. That's been turned into a market ethic. It once did serious planning for the future. For now, that's a nearly forgotten hope."

Prop 13 helped create a "homeowner aristocracy" - where those who bought their homes before 1976 are given preferential treatment and tax shelters while everyone else has to pay market rates. Some argue that those on fixed incomes deserve protection from rising tax bills, but it is difficult to have sympathy for this when the method of protecting them - Prop 13 - has produced a generation of inequality that leaves most folks under 35 unable to ever own a home in California.

Why should some homeowners get government subsidies and others do not? Why is it that under Prop 13 we protect some homeowners at the expense of future generations? If we are to right the state's finances, provide economic security for all Californians, deal with the energy price and global warming crisis, and have a competitive 21st century economy, we need to reexamine our priorities, and be willing to move past obsolete 1970s faux populism.

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Posted on June 10, 2008 [9]

Positive Effects: Prop 13 effectively "leveled the playing field" between areas of high property value and areas of lower property value with respect to public education. Effectively 'robbing' from the rich and giving to the poor, and equalizing funding for children across the state.

Proponents claim that Prop. 13 has benefited the state economy, providing a stabilizing effect on communities. Home owners are now able to accurately predict the future costs of home ownership. For those people who own a highly valued property, property taxes might otherwise take a higher percentage of their incomes.

In addition, contrary to predictions by opponents, the restriction of tax increases for previously owned property has decreased volatility of funding for municipalities. Property tax revenue has continued to increase as a result of property changing hands. David Doerr argues that the "acquisition value system" acts as a control to overspending due to high real estate values, while permitting a source of revenue growth in times of recession. Local governments would otherwise have to have cut spending more severely when the housing market came down.

The building industry claims that Prop. 13 forces the development and sale of new homes and businesses that add to the total property tax rolls, and the higher cost of home ownership brings more affluent consumers to the state, all providing more money in tax revenue.

Conservative Analysis:

Some political analysts consider Prop 13 the corner stone of the 'conservative movement' that lead to the Reagan Tax Cuts of 1981, and the anti-Big-Government tide. Within five years of Proposition 13's passage, nearly half the states strapped a similar straitjacket on politicians' tax-raising capabilities. Almost all of those tax limitation measures remain the law of the land today. Why was Proposition 13 so overwhelmingly approved in 1978? Few expected it to win. In fact, on two separate occasions, less draconian versions of Proposition 13 had failed. But by 1978 raging inflation had sent property tax bills in the Golden State soaring so high that many families had to sell their homes because they couldn't afford to pay their taxes. Despite a torrent of horror stories from teachers' unions, politicians, newspapers and corporate lobbyists in Sacramento about the potentially devastating effects of Proposition 13, more than 60 percent of the voters took a gamble and approved the ballot measure. [7]

But what is not said in any of these accounts is that Proposition 13 ushered in a second California gold rush in the 1980s. California's economic surge in the years following Proposition 13 was to become the envy of the nation. In the 10 years after the passage of Proposition 13, incomes in California grew 50 percent faster than in the nation as a whole; jobs grew at twice the national pace. Even supporters of Proposition 13 never envisioned that it would unleash the spectacular entrepreneurial and commercial explosion that it did over the next decade. [7]

Did Proposition 13 really starve state and local services? Hardly. In real dollars, California's budget climbed from $55 billion in 1980 to $97 billion in 1992 -- a 75 percent increase above inflation! Only in government would a 75 percent real spending hike be considered inadequate and neglectful. What about revenues? In the 1980s state tax revenues as a share of Californian's incomes actually rose -- from 11 to 12 percent. [7]

The major effect of Proposition 13 has been to save the average homeowner in California tens of thousands of dollars in property tax payments over the past 20 years. That is money that would have fueled an even more rapid buildup in California's state and local public bureaucracies if it had been sent to Sacramento and city hall.

Californians intuitively understand this. That is why a large majority of California residents say that they would vote for Proposition 13 again if it were on the ballot this year -- 20 years later. [7]

Some claim that Prop. 13 has a "PROGRESSIVE" effect on tax revenue. (CPS - California Policy Seminar (CPS), a joint program of the University of California and the State of California. [2]) One measure of tax equity is ability to pay. Taxes are deemed more equitable, by this measure, if those who can afford more pay more, this is defined as a progressive tax system. Some tax studies claim that a 'revenue-neutral' re-structuring of Prop. 13's accusation value-assement scheme to a current assessment value system will place more of a burden upon property owners of lower income ranges, thus making our tax revenue less progressive. Such studies fail to incorporate the indirect effects of Prop. 13, as it keeps property values artificially hight, limiting those who become property owners. If you include the general population and account for increased net-worth due to increased property value, then a revenue-neutral shift is insignificant in terms of the costs to home owners, but will increase mobility and create a fluid market for home and business sales. This increase in market efficiency creates great opportunities for lower income people to enter the landed classes, effectively creating vertical social mobility.

Aftermath: The U.S. Supreme Court declared in *Nordlinger v. Hahn* that Proposition 13 was constitutional. Justice Harry Blackmun, writing the majority opinion, noted that the state had a "legitimate interest in local neighborhood preservation, continuity, and stability", and that it was acceptable to treat owners who have invested for some time in property differently than new owners. If one objected to the rules, they could choose not to buy.

In the 2003 California recall election in which Arnold Schwarzenegger was elected governor, his advisor Warren Buffett suggested that Proposition 13 be repealed or changed as a method of balancing the state's budget. Schwarzenegger, believing that taking such a step would be to touch a political third rail that could end his gubernatorial career, said, "I told Warren that if he mentions Proposition 13 again he has to do 500 sit-ups." A 2004 *Los Angeles Times Magazine* cover story that detailed the proposition's damaging effects and advocated its repeal drew heavy criticism from its supporters.

On November 7th, 2000, voters in the state approved Proposition 39.[16] This initiative state constitutional amendment and statute lowered the threshold for electoral passage of local school bond acts from Proposition 13's required 2/3rds super-majority, to a super-majority of 55 percent.

Today, Proposition 13 faces a record number of proposals to weaken it, most rooted in a successful effort in 2000 (Proposition 39) to overturn the initiative's two-thirds super majority requirement to issue bonds. Now legislators are trying to eliminate the super majority for raising sales taxes and to re-jigger some property-tax rules. [6]

However, Proposition 13 remains popular. Nearly 60 percent of adults and 65 percent of homeowners say it has been "mostly a good thing for California," according to a February survey by the Public Policy Institute of California. Among Republicans, support for Proposition 13 tops 76 percent.[6]

Proposition 98 (1988)
This constitutional amendment, approved in November 1988, guarantees a minimum funding level from state and property taxes for California public schools and junior colleges. Proposition 98 also requires each school to prepare and publicize an annual School Accountability Report Card (SARC) that covers at least 13 required topics, including test scores, dropout rates, and teacher qualifications. A two-thirds vote of the Legislature and a signature from the governor are required to suspend Proposition 98 for a year. [6]

Proposition 39 (2000)
"In the last three years, this state and the people of California have voted for school bonds totaling $26 billion dollars." John Mockler, First to Worst
Proposition 39 changed the requirements for passing a school construction bond that had been in place since the passing of proposition 13. The proposition, which passed by a majority vote of 53%, authorized bonds for the repair, construction or replacement of school facilities and classrooms, if approved by a 55% local vote. Before Proposition 39 passed, a 2/3s majority vote had been necessary to pass school construction bonds. This super-majority requirement had significantly slowed the building of new schools to meet the tremendous increases in the California student population as a result largely of immigration. [6]

Vocabulary:

"acquisition-value assessments" - a property tax system whereby property values, and thus tax levels, are assessed at the time of each new purchase, and not re-assessed until the time of subsequent purchase, making future tax costs highly predictable.

'Split Roll' - a method, to impose a split-roll property tax in which business would pay property taxes at a different rate than that imposed on residential properties. Often misconstrued as increasing taxes on business, proper annual property value assessment of business real-estate is both appropriate and equitable. Split Roll Tax is the only one supported (47% most dems). [10]

Constitutional Validation

Almost immediately after passage, the California Supreme Court sustained Proposition 13's constitutionality in the *Amador* case (*Amador Valley Joint Union High School District v. State Board of Equalization*. September 22, 1978). After a series of legal challenges in the 1980s, the issue of acquisition-value assessments reached the U.S. Supreme Court in *Nordlinger v. Hahn*. In a stunning 8-1 decision, the court in 1992 upheld California's acquisition-value system.

The court ruled that an acquisition-value system does not violate the Equal Protection Clause of the U.S. Constitution because it "rationally" furthers a legitimate state interest. The court said, "The state legitimately can conclude that a new owner, at the point of purchasing his property, does not have the same reliance interest warranting protection against higher taxes as does an existing owner who is already saddled with his purchase and does not have the option of deciding not to buy his home if taxes become prohibitively high."

The court also opined that a state has a rational interest in neighborhood preservation, continuity and stability, and that Proposition 13's system of "locking in" lower tax assessments contributed to such preservation. (2)

My Conclusions:

1) Because of Prop. 13, selling real-estate property in California makes no economic sense, as high demand due to both domestic and foreign immigration, as well as a high birth-rate, keep demand for housing high, real-estate prices increase quickly, and the tax reassessment gap grows large. This disincentive to mobility creates inefficiency through artificial financial barriers that favor permeant residence and business wealth over investment in our youth.

2) Intended as way to create equality of resources for public education of all California youth, across diverse economic regions, Prop. 13 has actually reduced property taxes by 57% overall at the time is was put into effect. Now businesses and land developers are not paying their fair share of the cost of public infrastructure and thus public education and local services suffer overall.

3) Prop. 13 victimizes poor, young workers by ballooning the cost of housing, indirectly increasing regressive sales taxes, and forcing them to pay more for goods and services due to higher transportation, infrastructure and development fees, while being marginalized into lower wage, retail jobs to support the established landowner economy.

4) The influence of Prop 13. has been counter to it's stated intent, instead of sparing fixed income, retired homeowners the property taxes associated with cost inflation, it has instead favored wealthy property owners and businesses that exploit it to avoid tax liability, forced growing communities to favor businesses over responsible city planing, and taken its toll upon our most productive and most vulnerable young families. The result is lower tax revenue, wealth reallocation to the rich, environmental degradation, and people trapped in homes they can not afford to sell.

5) Generational Warfare: When put comes to take, it has not been towns or roads or prisons that were most affected by Prop. 13; it has been the children. prop. 13 at its meanest and most enduring was generational warfare. The old chose themselves over the young in 1978. Many Seventy-Eighters, plus their children and often their grandchildren, were educated in good schools, which were backed by the wealth of California property, from kindergarten to the expensive university that was once the jewel in the crown of democracy, the University of California system. But they voted to trade lower property taxes for themselves in exchange for other people's children -- many of them, it happerns, black and Hispanic kids. [4]

6) The ignorance about our laws has worked in favor of those who vote (i.e. the wealthy and the old). There is no real political will to fight Prop. 13, but we may be at a time of fundamental CHANGE. There is potential insurrection out there.

Recommendations (i.e. solutions):
Prop. 13 has had many unintended and indirect consequences, the general trend being that it stratifies the community by imposing burdens on the young and poor population while protecting the landed wealthy, business and property owners. It effectively creates a Landed Class, with tax advantages that guarantee the land will stay in the family or corporation indefinitely.

The stated original intent of the referendum was to protect retired property owners, of fixed income, from being forced to sell or mortgage their primary residence, which they had earned over decades (usually with a 30 yr. mortgage). A secondary purpose was to limit government growth, by starving the local schools of funding, and balance education resources across the state, these seem reasonable concerns.

The problem is that Prop. 13 did not discriminate between residential property owners and businesses that acquire real-estate. The ideal solution is using a 'Split Roll' method, to impose a split-roll property tax in which business owned real-estate would pay property taxes at the current property value, while the rate imposed on residential properties, would follow the 'acquisition-value assessment' method. They found this notion untenable due to political forces (i.e. corporate owned politicians). The obvious solution is to assess business property annually, and tax it appropriately. Many wealthy people also own many 'income properties' and set up a corporation to protect themselves from liability, these should also be assessed yearly and taxed appropriately. Closing the shell corporation loop-hole will boost tax revenue and close the budget gap, while protecting low and fixed income home owners. Corporations are not people, they do not need protection as such, and they should not have the rights of individuals.

It is true that businesses will pass this cost on to customers, but people will be allowed to choose where they shop, and businesses that are 'investing in real-estate' will need to charge higher prices, and thus become less competitive. With this income, municipal governments can reduce Sales Taxes, too.

Also, in introducing the "accusation value-assment" method, California has effectively created a layer of 'hidden value' in long owned homes. In times of recession, when home values drop, NEW SALES increase, causing re-assesment for property tax purposes, and thus increasing revenue to municipal coffers in hard times. The accusation value-assment method creates an incentive for long-term home ownership and thus community stability. Businesses actually need more flexibility, and fluidity, to bring in new competition and keep markets moving, so it is appropriate to separate them from this artificial stabilizing force.

There is one other problem to solve. Prop 13, allows for inheritance of "the family home" from generation to generation without the reassessment of property value, and thus no increase in property taxes. This is wrong and must stop. When a home-owner dies, the property value must be reassessed, else we go back to the the era of landed 'nobles' and the divine right of kings.

Devastation of Prop. 13

- Prop. 13 worked -- to well! There was a reduction of more than $200 billion in local revenues and, predictably, a decline in the services provided by local governments -- and the essential local services are education, health care and public safety.

- New homeowners are paying as much as 10 to 20 times the taxes of neighbors in identical houses who have stayed put. That figure is predicted to reach 70 or 80 times early in the 21st century.

- More than 90 percent of the homeowners who benefited from Prop. 13 are in the same houses they owned in 1978. Why should they move, when other taxpayers are being forced to pay their share of the cost of government?

- California school funding and achievement have both dropped from 1970's rankings in the nation's top five to 1990's rankings in the bottom 10.

- More than 40 percent of the property-tax relief has not been for homeowners at all, but has been an annual windfall for corporations and landlords.

- Local governmnets have tried to survive by inviting in auto dealerships and Wal-Marts to get a share of state sales taxes on high point-of-purchase volume. "Fees" are another way for localities to try to grab a few loose bucks: In Los Angeles County, there is now a $75 charge for group picnics in local parks.

- Prisons in the state are at 184 percent of capacity, and prisoners are being released before serving minimum sentences to make room for new ones.

- The state's ratio of librarians to students has reached 1 to 8,512, compared with a nation average of 1 to 820.

▪ California state colleges have eliminated 6,000 courses in the past three years. Tuition and gees have been increased by 320 percent above the rate of inflation since Prop. 13 was passed.

So it goes in the Golden State. It will take a miracle or a tragedy to arrest the California decline. The people who own the homes of 1978 are now passing their tax exemptions on to their children -- the modern equivalent of royal land grants. Perhaps a giant earthquake, massive unemployment or riots by less-than-royal taxpayers might force a change, or at least a reconsideration of what California is doing to itself.
[4]

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