

LOS ANGELES COUNTY
ECONOMY AND EFFICIENCY COMMISSION
ROOM 163, HALL OF ADMINISTRATION / 500 WEST TEMPLE / LOS ANGELES, CALIFORNIA 90012 / 974-1491

Dr. Warren H. Schmidt, Chairperson
Gloria Starr, Vice Chairperson

May 17, 1978

STATEMENT ON PROPOSITION 8 AND
SENATE BILL 1, THE BEHR BILL

George E. Bodle
Dr. Catherine G. Burke
John D. Byork
Margaret Paterson Carr
Anne S. Collins
Dr. Mario Di Giovanni
Dr. Carolyn L. Elmer
Jerry Epstein
Milton G. Gordon
Richard S. Gunther
Hugh L. Henshavv
Mary Jane Kidd
Leo A. Majich
Lauro J. Neri
Robert Ruchtj, II
Luis A. Ruiz, CLU
George Shellenberger
Larkin Teasley
Bryan Walker
Burke Roche
Executive Secretary
John Campbell
Staff Specialist
Maxlynn Larsen
Commission Secretary

SUMMARY

The Economy and Efficiency Commission urges a YES vote on June 6 on Proposition 8, which would implement the Property Tax Relief Act of 1978 (the Behr Bill). We urge a NO vote on Proposition 13, the Jarvis-Gann Initiative.

The Behr Bill is a responsible and financially sound tax relief measure, which would also limit future tax increases at both the State and local levels. It will bring real relief to distressed homeowners, renters, and senior citizens, without raising other taxes.

The Behr Bill will force State and local governments to limit their expenditures. Jarvis-Gann will either cripple local services or force the State to replace the money by increasing other taxes.

The Behr Bill will reduce homeowner taxes by at least 30% at first and 40% - 50% if home values increase. It will double the current tax credit for renters, and it will provide up to \$1500 of property tax relief to senior citizens. The Behr Bill will keep the power over local services at

the local level.

The effects of Jarvis-Gann are unpredictable. If the State Legislature does not replace the \$7 billion lost by local governments, the result will be decimation of locally financed services, including police, fire, and education. Everything depends on the State Legislature and the courts. All power over local services and priorities will shift to the State - the most remote and least responsive government in California. Not one State employee would be laid off or affected in any way by Jarvis-Gann. Except for the two-thirds vote requirement, it places no restriction on State spending. In fact, it will increase the influence of special interests by its requirement for a two-thirds vote to raise additional taxes.

Proposition 8 and the Behr Bill contain none of these hazards. Rather, they provide certain and predictable relief to those who need it most - homeowners, renters, and senior citizens.

Proposition 8 must be approved, and Proposition 13 must be rejected in order to implement the Behr Bill. We urge everyone to vote YES on Proposition 8 and NO on Proposition 13.

ANALYSIS

Proposition 8 will enable the Legislature to provide for taxing owner occupied dwellings at a rate different from other types of property. It prohibits, however, any agency from raising tax rates on the other property in order to reduce the rate for homeowners.

We support Proposition 8 and the Behr Bill for the following reasons:

1. The revenue limitations in the Behr Bill will force government to limit increases in spending to inflation. Local governments could not increase property tax revenues beyond an index which measures inflation of goods and services purchased by State and local governments. The State government could not increase its revenues beyond an index which

measures the increase in personal income. Any revenue collected by the State in excess of this index which would increase the State surplus beyond 3% of total revenues would be returned to the taxpayers.

2. The Behr Bill will reduce property tax for homeowners by at least 30%. The relief will not require tax increases. It will be financed by current and future State surpluses, at least until 1983. This feature of the homeowner tax relief would reduce tax rates, thus reducing the total tax that a homeowner would otherwise owe.
3. The Behr Bill would also reduce the effect of increased homeowner assessments. If home assessments increase more rapidly than inflation, tax rates must go down to limit total revenues from the combination of rates and assessments to the inflation rate (currently about 6~3% annually.). Owner occupied homes must be considered as a separate group from all other property. Thus, taxes cannot shift from business and commercial property to homes when home values rise faster than inflation. In no event may total property taxes rise faster than inflation. We conclude that the Behr Bill does not have the usual deficiency of rate reduction measures - ignoring assessments. Rather, it controls both rates and the effects of assessment increases.
4. The Behr Bill would substantially increase tax relief for renters and senior citizens. The income tax credit for renters would increase to \$75 from the current \$37. Relief for senior citizens, with incomes of \$13,000 or less, would be increased to a maximum of \$1500, compared to the current average relief of approximately \$850. Eligibility for assistance would be broadened to include surviving spouses, of any age, if the household was previously receiving assistance.
5. The Behr Bill concentrates on providing tax relief to homeowners and renters. Jarvis-Gann would provide the major share of relief to business and owners of commercial property and apartment houses - \$4.4 billion out of the \$7 billion reduction in property taxes. Taxes on business are generally passed on to consumers. Jarvis-Gann contains no assurance that these windfall profits would be similarly passed on to consumers and renters.

6. The Behr Bill provides for tax relief without endangering the borrowing power or credit rating of local governments. Because of the threat of Jarvis-Gann, -3- Moody Investor Services, Inc., has already suspended its ratings on all outstanding tax allocation municipal bonds in the State and will not evaluate any redevelopment bonds.
7. Proposition 8 and the Behr Bill do not allow the reduction in taxes on homeowners to be made at the expense of an increase in business and commercial property taxes. They thus protect business interests in the State.
8. The Behr Bill maintains local control of government services and costs at the local level. Unlike Jarvis-Gann, it does not transfer the major share of decision-making from local government to the State. Rather, it transfers only the homeowners share of welfare and health costs to the State as part of the 30% reduction in homeowner taxes.

We conclude that Proposition 8 and the Behr Bill are responsible and effective measures. Their effects in providing tax relief to homeowners and renters are completely predictable. They carry none of the potential for governmental and economic chaos that Jarvis-Gann contains.