PROPOSITION 36

Mayor Snider addressed the Council regarding his concerns regarding Proposition 36 advising that "we" do not want to emphasize or speculate on dollar losses or threatened loss of service. Mayor Snider further stated that "we" simply do not know what the courts or legislature will do in the after math of a Proposition 36 passage. Mayor Snider concluded in listing a number of organizations and agencies that have publicly opposed Proposition 36 and that after much consideration, he (Mayor Snider) feels that the Council should take a position on Proposition 36 from the view point of public policy and the effect on the provision of fair and equitable government.

Council Member Reid also spoke in opposition to Proposition 36 and the reasons that he felt that the City Council should oppose the proposition.

A very lengthy discussion followed with both Council Member Pinkerton, and Olson indicating that they did not feel that it was appropriate for the Council to act on such matters.

COUNCIL ADOPTS RES. OPPOSING PROP. 36

On motion of Mayor Snider, Reid second, Council adopted Resolution No. 84-159 opposing Proposition 36, the Jarvis IV Initiative Constitutional Amendment which resolution reads in full as follows:

RES. NO. 84-159

RESOLUTION NO. 84-159

RESOLUTION OPPOSING PROPOSITION 36, THE JARVIS IV INITIATIVE CONSTITUTIONAL AMENDMENT

WHEREAS, the Jarvis IV Initiative Constitutional Amendment which will appear on the November ballot as Proposition 36 would lead to de facto minority rule by requiring a two-thirds vote for many important local government decisions; and

WHEREAS, Proposition 36, by further restricting local governments' revenue-raising authority beyond the requirements imposed by Propositions 13 and 4, would seriously weaken the concept of "Home Rule" by making local agencies more dependent upon the State for their financial stability; and

WHEREAS, Proposition 36 will further reduce the ability of local government to plan for and finance public services and capital improvements needed to sustain development and accommodate economic growth; and

WHEREAS, the passage of Proposition 36 will widen the disparities between the taxation of properties with similar market values; and

WHEREAS, while the supporters of Proposition 36 claim it will reduce taxes, it will actually increase property taxes for nearly all taxpayers who have purchased properties since 1978, including approximately 50% of the homeowners in California; and

WHEREAS, one widely applauded result of Proposition 13 has been to relieve general taxpayers of the burden of paying for services which could be charged directly to the service user through fees, this trend will be reversed, returning part of the financial burden for fee-supported services to general taxpayers if Proposition 36 is enacted; and

WHEREAS, the passage of Proposition 36 will cost local school districts some $750 million in 1985-86, thereby seriously jeopardizing the urgently needed improvements in primary and secondary public education in California; and

WHEREAS, many of the provisions of Proposition 36 are confusing and ambiguous and will require further clarification, either by future ballot measures, state legislation and/or court interpretation,

NOW, THEREFORE, BE IT RESOLVED, by the adoption of this resolution, the City of Lodi opposes Proposition 36, the Jarvis IV Initiative Constitutional Amendment.

RES. NO 84-159 The motion carried by the following vote:

Ayes: Council Members - Hinchman, Reid, and Snider

Noes: Council Members - Olson and Pinkerton

Absent: Council Members - None

California Cities Work Together

League of California Cities

* SPECIAL BULLETIN #3 *

October 5, 1984

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CITY CLERK
CITY OF LODI

PROPOSITION 36 (JARVIS IV)

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NON-PROFIT ORGANIZATION INVOLVEMENT IN BALLOT MEASURE CAMPAIGNS

There have been questions raised whether certain non-profit organizations may get involved or contribute to Californians Against Proposition 36. Californians Against Proposition 36 is a non-profit corporation which has applied for and will receive tax exempt status as a 501(c)(4) organization. According to the lawyers for Californians Against Proposition 36, non-profit organizations which have a tax exempt status under either 501(c)(3), 501(c)(4) or 501(c)(6) may endorse a ballot measure, as well as participate in activities of the ballot measure so long as those activities do not constitute a substantial portion of the organization's activities. Generally speaking, non-profit organizations may spend up to 5 to 10 percent of their annual budget on activities such as ballot measures without jeopardizing either the tax exempt status of the organization or the tax deductibility of the member's contributions, where applicable.

If an organization still has questions regarding permissible activities, they should contact their own tax adviser or Ms. Hamilton at Californians Against Proposition 36.

FUNDRAISING SUGGESTIONS FOR CITY OFFICIALS ACTING IN THEIR INDIVIDUAL CAPACITY

You can successfully raise money to support some of your County Coalition efforts against Proposition 36. Fresno County used a dual strategy in the "No on 9" campaign against Jarvis' proposed income tax cut. For those who could afford it, there was an afternoon reception for $25.00 per person. Expenses were minimized by having volunteers donate hors d'oeuvres and a talented bluegrass band provide free music.

Many people in the anti-Jarvis effort, however, cannot afford that approach. For them, Fresno County held a simple raffle ($1.00 tickets; $99.00 cash prize). If you print "donation not required" on the ticket, you will probably not violate the law (you should consult your attorney). In Fresno County, the raffle raised several thousand dollars. Donated prizes make raffles cheaper. If drawings aren't to your taste, consider selling some inexpensive item. Whatever you do, you should find a way for people with little money to contribute affordably.

Why should you bother to raise money? First, you can purchase local media coverage (state-campaign produced copy; local endorsements and talent) that the state campaign will not purchase because their priorities are, out of necessity, in the larger markets. You can also cover any expenses you have for mailing, copying, etc. You may even raise enough money to make a contribution to the state campaign.

Prepared by Karen Humphrey, Council Member, City of Fresno and member, League of California Cities Proposition 36 Public Education Task Force.

ALTERNATIVE FUNDING IDEAS NEEDED

The Jarvis "What If" Committee is formulating suggestions for alleviating some of the devastating provisions of Proposition 36. The League will issue guidelines to cities in early November if the initiative passes.

Committee members are especially interested in cost-cutting strategies and alternative funding ideas. Please send your suggestions to the Sacramento office of the League.

PROPOSITION 36

WHAT CAN CITIES DO?

It is recommended that each city consider the following actions. If implemented effectively in every city throughout the state, a large number of citizens will have a clearer understanding of the provisions and implications of Proposition 36.

1. Encourage Local Civic and Business Leaders to Take a Public Position. Conduct a deliberate and systematic effort to meet individually with the leaders of a variety of local civic and business groups. This effort could be performed by the mayor and city manager or by another team of city officials including a member of the city council and a top level staff member. In these meetings, city representatives could discuss the public policy implications of Proposition 36, explain some of the likely effects on public services in your community and urge these local leaders and the organizations they represent to adopt public positions in opposition to Proposition 36. Many statewide associations oppose Proposition 36; their local counterparts would provide a possible starting place for this local effort. Some of these organizations are:

   American Association of Retired Persons

   Association of Retarded Citizens

   California Building Industry Association

   California Chamber of Commerce

   California PTA

   California Taxpayers Association

   League of Women Voters

   Service Employees International Union

   The California Roundtable

   California Farm Bureau Federation

2. Focus on Policy Issues. Emphasize the public policy implications of Proposition 36 rather than the size of dollar losses to your city. Proposition 36 will:

   -- Increase the inequity of the property tax.

   -- Increase the veto power of only one-third of the voters.

   -- Perpetuate the underfunding of vital government services.

   -- Continue the shift of power to the state and federal governments.

   -- Make local government less responsive.

   -- Impede economic growth by eliminating the ability of local government to finance capital improvements.

3. Do Not Publicize Dire Local Government Service Reductions. As far as the general public and the media are concerned, adopt a "we'll have to wait and see" approach concerning specific impacts on city services. Do not make specific monetary or statistical predictions. After the Proposition 13 "bail out" delayed or eliminated promised service reductions, public officials have little credibility with this approach.

SAMPLE RESOLUTION IN OPPOSITION TO PROPOSITION 36

WHEREAS, the Jarvis IV Initiative Constitutional Amendment which will appear on the November ballot as Proposition 36 would lead to de facto minority rule by requiring a two-thirds vote for many important local govenment decisions; and

WHEREAS, Proposition 36, by further restricting local governments' revenue-raising authority beyond the requirements imposed by Propositions 13 and 4, would seriously weaken the concept of "Home Rule" by making local agencies more dependent upon the State for their financial stability; and

WHEREAS, Proposition 36 will further reduce the ability of local government to plan for and finance public services and capital improvements needed to sustain development and accommodate economic growth; and

WHEREAS, the passage of Proposition 36 will widen the disparities between the taxation of properties with similar market values; and

WHEREAS, while the supporters of Proposition 36 claim it will reduce taxes, it will actually increase property taxes for nearly all taxpayers who have purchased properties since 1978, including approximately 50% of the homeowners in California; and

WHEREAS, one widely applauded result of Proposition 13 has been to relieve general taxpayers of the burden of paying for services which could be charged directly to the service user through fees, this trend will be reversed, returning part of the financial burden for fee-supported services to general taxpayers if Proposition 36 is enacted; and

WHEREAS, the passage of Proposition 36 will cost local school districts some $750 million in 1985-86, thereby seriously jeopardizing the urgently needed improvements in primary and secondary public education in California; and

WHEREAS, many of the provisions of Proposition 36 are confusing and ambiguous and will require further clarification, either by future ballot measures, state legislation and/or court interpretation,

NOW, THERFORE, BE IT RESOLVED, by the adoption of this resolution, the City of _____ opposes Proposition 36, the Jarvis IV Initiative Constitutional Amendment.

_____
Date

Submitted by Joy Picus, Council Member, City of Los Angeles, and Vice Chair, League of California Cities Proposition 36 Public Education Task Force.

CALIFORNIANS AGAINST PROPOSITION 36

County Coalition Contacts

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h: 209/754-3256

COLUSA:
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YOLO:
Sue Boyd 916/756-4492
Helen Thomson 916/753-7223

CALIFORNIANS AGAINST PROPOSITION 36

Organizations Which Oppose the Initiative

AMERICAN ASSOCIATION OF RETIRED PERSONS
AMERICAN ASSOCIATION OF UNIVERSITY WOMEN
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES (AFSCME)
AMERICAN RIVER FLOOD CONTROL DISTRICT
* ANTELOPE VALLEY HOSPITAL MEDICAL CENTER
* ARCADE WATER DISTRICT BOARD OF DIRECTORS
ASSOCIATION FOR RETARDED CITIZENS
* ASSOCIATED GENERAL CONTRACTORS OF CALIFORNIA, INC.
ASSOCIATION OF CALIFORNIA HOSPITAL DISTRICTS
* ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS
* ASSOCIATION OF CALIFORNIA WATER AGENCIES
* BEACH CITIES COUNCIL ON AGING
BEAR VALLEY COMMUNITY SERVICES DISTRICT
* BERKELEY FEDERATION OF TEACHERS, L-1078
* BLACK AMERICAN POLITICAL ASSOCIATION OF CALIFORNIA
* BLACK WOMEN'S ORGANIZATION FOR POLITICAL ACTION
* BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES
BOARD OF REGENTS OF THE UNIVERSITY OF CALIFORNIA
CALIFORNIA ASSOCIATION OF CATHOLIC HOSPITALS
CALIFORNIA BUILDING INDUSTRY ASSOCIATION
CALIFORNIA CHAMBER OF COMMERCE
CALIFORNIA COMMON CAUSE
* CALIFORNIA COMMUNITY COLLEGE TRUSTEES ASSOCIATION
* CALIFORNIA CONFERENCE OF CATHOLIC CHARITIES
CALIFORNIA COUNCIL FOR ENVIRONMENTAL AND ECONOMIC BALANCE
* CALIFORNIANS FOR EFFICIENT LOCAL GOVERNMENT
CALIFORNIA FARM BUREAU FEDERATION
CALIFORNIA FEDERATION OF TEACHERS
CALIFORNIA HOSPITAL ASSOCIATION
* CALIFORNIA HOUSING COUNCIL, INC.
CALIFORNIA INDEPENDENT PUBLIC EMPLOYEES COUNCIL, INC.
* CALIFORNIA LABOR FEDERATION, AFL-CIO
* CALIFORNIA MANUFACTURERS ASSOCIATION
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION
CALIFORNIA ORGANIZATION OF POLICE AND SHERIFFS
* CALIFORNIA PARK AND RECREATION SOCIETY
CALIFORNIA PROBATION, PAROLE AND CORRECTIONAL ASSOCIATION
CALIFORNIA ROUNDTABLE
CALIFORNIA SCHOOL BOARDS ASSOCIATION
CALIFORNIA SCHOOL EMPLOYEES ASSOCIATION
CALIFORNIA STATE EMPLOYEES ASSOCIATION
CALIFORNIA STATE PARENT TEACHERS ASSOCIATION
CALIFORNIA TAX REFORM ASSOCIATION
CALIFORNIA TAXPAYERS ASSOCIATION
CALIFORNIA TEACHERS ASSOCIATION
* CALIFORNIA WATER RESOURCES ASSOCIATION
* CAPISTRANO VALLEY WATER DISTRICT, BOARD OF DIRECTORS
* CATHOLIC COMMITTEE FOR AGING
* CITY OF SAN JUAN CAPISTRANO
* COALITION FOR ECONOMIC SURVIVAL
* CONCORD CHAMBER OF COMMERCE
* CONGRESS OF CALIFORNIA SENIORS
CONSTRUCTION AWARENESS PROGRAM

* CONTRA COSTA COUNTY BOARD OF EDUCATION
* CONTRA COSTA BOARD OF SUPERVISORS
COUNTY SUPERVISORS ASSOCIATION OF CALIFORNIA
* DAVIS AREA CHAMBER OF COMMERCE
* DEMOCRATIC WOMEN'S FORUM OF SAN FRANCISCO
DESERT VIEW WATER DISTRICT
* DISTRICT EIGHT DEMOCRATIC CLUB
FEDERATED FIRE FIGHTERS OF CALIFORNIA
* FRIENDS COMMITTEE ON LEGISLATION
GREY PANTHERS
* INTERNATIONAL LONGSHOREMAN'S AND WAREHOUSEMEN'S UNION
* KEEP LIBRARIES ALIVE
LA MESA CHAMBER OF COMMERCE
* LATINO DEMOCRATIC CLUB OF SAN FRANCISCO
LEAGUE OF CALIFORNIA CITIES
* LEAGUE OF CALIFORNIA CITIES, ORANGE COUNTY DIVISION
LEAGUE OF WOMEN VOTERS OF CALIFORNIA
* LEAGUE OF WOMEN VOTERS, LONG BEACH
* LONG BEACH AREA CITIZENS INVOLVED
* LOS ANGELES CHAMBER OF COMMERCE
* LOS ANGELES COLLEGIATE COUNCIL/CALOBBY, CALIFORNIA STATE, LOS ANGELES
LOS ANGELES COUNTY TAXPAYERS ASSOCIATION
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
* MEXICAN AMERICAN POLITICAL ASSOCIATION
* MUNICIPAL WATER DISTRICT OF ORANGE COUNTY, BOARD OF DIRECTORS
* OAKLAND CHAMBER OF COMMERCE
ORANGE COUNTY EMPLOYEES ASSOCIATION
OTAY WATER DISTRICT
* PEACE OFFICERS RESERACH ASSOCIATION OF CALIFORNIA
* PEOPLE FOR A GOLDEN GATE NATIONAL RECREATION AREA
* PUBLIC EMPLOYEES ASSOCIATION OF RIVERSIDE COUNTY, INC. (PERC)
PUBLIC EMPLOYEES ASSOCIATION OF VENTURA COUNTY
* PUBLIC EMPLOYEES UNION, LOCAL 1
* PUBLIC SECURITIES ASSOCIATION, DISTRICT VI
RINCON DEL DIABLO MUNICIPAL WATER DISTRICT
* SAN BERNARDINO PUBLIC EMPLOYEES ASSOCIATION
* SAN FRANCISCO CLASSROOM TEACHERS ASSOCIATION
* SAN FRANCISCO COUNTY BOARD OF SUPERVISORS
* SAN FRANCISCO SECOND DISTRICT PTA
SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
SAN JOAQUIN COUNTY EMPLOYEES ASSOCIATION, INC.
SAN JOSE CHAMBER OF COMMERCE
* SAN MATEO COUNTY CHAMBER OF COMMERCE
* SENIOR CITIZENS CLUB OF LOCAL-1304, USWA
SERVICE EMPLOYEES INTERNATIONAL UNION
* SERVICE EMPLOYEES INTERNATIONAL UNION, L-250
* SERVICE EMPLOYEES INTERNATIONAL UNION, L-390/400
* SERVICE EMPLOYEES INTERNATIONAL UNION, L-535
* SERVICE EMPLOYEES INTERNATIONAL UNION, 660
SHASTA COUNTY EMPLOYEES ASSOCIATION
SOLANO ASSOCIATION OF GOVERNMENT EMPLOYEES
* STANISLAUS COUNTY BOARD OF SUPERVISORS
* STANISLAUS COUNTY EMPLOYEES ASSOCIATION
* STATE BUILDING AND CONSTRUCTION TRADES COUNCIL OF CALIFORNIA
* TEAMSTERS LOCAL 356
* TEHAMA CHAMBER OF COMMERCE
TULARE LAKE BASIN WATER STORAGE DISTRICT
* WESTERN MUNICIPAL WATER DISTRICT

* Additions to the "No on 36" coalition

Educational Workshop Focuses On Latest Jarvis Tax Initiative

The "No on Prop 36" campaign committee presented a strong message to public officials attending an educational workshop on Proposition 36 (the latest Howard Jarvis Initiative) "Do not be complacent about the Initiative—Become involved—Take the campaign seriously"

The "No on Prop 36" committee also cautioned public officials against presenting a "the house will fall down" kind of campaign as in Proposition 13

Public officials (several members of ACWA were present for the Aug 30 briefing on the Jarvis Initiative) were asked to participate in creating county coalitions to establish a bipartisan atmosphere and to communicate the general message of, "I was yes on Proposition 13—that was needed, but I'm no on 36, as it goes too far"

In talking about the impacts on revenue sources for local government, Dick Simpson, executive vice president of Cal-Tax Research, said, "Local government revenues are recovering from the recent recession, but continued recovery depends, among other things, on there being no new reductions in remaining revenues However, Proposition 36 would have the effect of reducing those remaining revenues"

Simpson presented the following analysis which looked at portions of Proposition 13 and some of its amending changes made by the courts and legislature, as well as examined and evaluated the possible impact of the major provisions of Proposition 36

Proposition 13

Proposition 13 of 1978

- Limited ad valorem tax to 1 percent of market value
- Permitted override of limit for pre-1978 debt
- Limited assessed value increases to 2 percent per year (Base year unspecified)
- Property reappraised on change of ownership or new construction
- Required 2/3 vote to increase special taxes

Non Ad Valorem Property Taxes

- 1979 legislation
- Per parcel assessments
- Examples (1982-83)

Flood control and water conservation ..... $42.6 million

County sanitation districts ..... $23.2 million

California water districts ..... $19.5 million

- Estimated current levy $300 million

San Francisco vs. Farrell

- Modified 2/3 vote requirement for special taxes
- Allows non-property tax increases by simple majority vote of local governing body
- Aids cities more than counties used frequently in 1983
- Primarily affects business license and utility user taxes
- Over $300 million has been raised

Carman vs. Alvord

- Allows property tax increases to pay voter-approved pension system costs
- Both cities and counties may use it
- Current levy $56 million.
- Legislature suspended further use until 1985-86
- $850 million in potential property tax increases

Proposition 36

Jarvis IV Would "Save 13" By:

Overturning Farrel and Carman By eliminating most parcel taxes and by strengthening legislative 2/3 vote requirement

Jarvis IV Would Also:

- Set new limits on fees
- Prohibit use of fee revenues for pensions
- May invalidate $4.5 billion in voter-approved G.O. bonds
- Eliminate some financial support for state water plan
- Refund $1.7 billion to properties with a pre-3/1/77 lien date
- Reduce assessments on above properties
- Increase taxes for most properties with a post-3/1/77 lien date.
- Increase limits on change of ownership reappraisals.

Pro and Con

1. New 1 Percent Limit

Limits ad valorem and any other property tax to 1 percent M.V.

Pro:

- Eliminates current and future parcel taxes

Con:

- Invalidates some local voter-approved taxes
- Removes feasible revenue source for some functions

Fiscal Impact

- Possible $300 million tax reduction.
- Flood control, sanitation, water, irrigation, highway lighting districts = 1/3 of total reduction

2. New Bonded Debt Limit

Allows override of 1 percent limit for bonded debt if

- Approved by voters before 7/1/78
- Evidenced by issuance of bonds

Pro:

- Reverses Carman decision.

Con:

- Invalidates unissued G.O. bonds
- Invalidates some or all water district overrides for state water plan.

Fiscal Impact

- Eliminates $56 million in current and $850 million in future Carman taxes
- May invalidate $4.5 billion in unissued local G.O. bonds.

3. New Limit On Fees And Fee Increases

Requires any new fee or fee increase, state or local, above CPI growth, to have 2/3 vote of Legislature or voters.

Pro:

- Stops excessive fees

Con:

- Could destabilize vital local services
- CPI not a valid measure of fee growth
- Most voters not directly affected by some fees
- Inhibits growth

Fiscal Impact

- Adverse capital funding effects
- Primary impacts water, sewers, power, landfills, ports, airports, transit

4. A. Prohibition of Fees For Pension Costs

B. Limitation of Fees To "Direct Costs"

Prohibits fees for pensions, defi fee as any state or local charge for direct costs of service

Pro:
- None

Con:
- Pension cost exclusion would bring contract impairment suits
- Pension costs equal 15-20 percent of payrolls
- Do "direct costs" exclude depreciation and capital outlay reserves, both needed for infrastructure maintenance and growth?

Fiscal Impact

- Unknown, pending litigation of pension and "direct cost" questions

5. Stronger 2/3 Legislative Vote

Strengthens requirement that new or increased taxes must have 2/3 legislative vote.

Pro:
- After 8/15/83, would eliminate any tax increase on simple majority vote (e.g., AB 3, Oil Severance)

Con:
- Loophole Legislature may authorize local tax which will not need later local vote
- Loophole would transfer more local decisions to Legislature
- Would also require 2/3 vote for tax reductions

Fiscal Impact

- Unknown

6. Restores 2/3 Local Vote

Requires approval by 2/3 of qualified voters for any new or increased local tax

Pro:
- Overturns Farrell, used by cities to raise business and utility user taxes by council majority

Con:
- Farrell-type taxes, as needed, have reduced pressures for state income and sales tax increases

Fiscal Impact

- Any Farrell-type tax enacted after 8/15/83 would be eliminated unless enacted by 2/3 local vote

7. Assessment Rollback + Property Tax Refunds

Rolls back 2 percent inflation increases for properties with pre-March 1977 lien dates requires refunds and reappraisals

Pro:
- For recipients of refunds, effect is positive

Con:
- Refunds and reappraisals go to properties with oldest values
- Properties with higher, post 1977, appraisals get no refunds, no reduced assessment, but do get a tax increase in most cases

Fiscal Impact

- Taxpayer refunds or credits -$1.29 billion
- Ongoing property tax reduction - $66 million
- Property tax increases - $158 million

8. New Change In Ownership Provisions

Reappraisal would not occur on change in ownership involving intra-family transfers to "immediate family"*

Pro:
- Property in an intra-family transfer of a home, rental, or business would not be reappraised

Con:
- A further departure from market value standards could increase incidence of unequal property taxes

Fiscal Impact

- Unpredictable

*Members of immediate family: "Parents, grandparents, stepparents, uncles, aunts, spouse, stepchildren, siblings, and lineal descendents of the owner, or the guardian or trustee for any of the foregoing persons"

A Jarvis IV Re-Cap

1. Eliminates Carman Taxes
But: Also invalidates unissued G.O. bonds and some or all S.W.P. overrides.

2. Restores 2/3 vote for local Farrell-type taxes
But: Legislature could authorize new taxes for local government without local vote.

3. Strengthens legislative 2/3 vote for tax increases.
But: Would also require 2/3 vote for tax decreases

4. Rolls back 2 percent inflation assessments; requires refund of $1.7 billion
But: Favors properties with older, lower, base-year values. Causes higher taxes for most properties with post-3/1/77 lien dates; increases inequities

5. Property in an intra-family transfer would not be reappraised
But: moves property taxation farther away from equal treatment

6. Fees could no longer meet full service costs

7. Fee-supported enterprises could encounter problems in maintaining plant and accommodating economic growth

8. Prohibition of fee support for employee pensions shifts cost to general funds and raises contract impairment questions for independent special districts

9. Impact on infrastructure financing
- Retains prohibition against property taxes for G.O. bonds
- May invalidate unissued G.O. bonds
- Limits fees to "direct cost" of service, possibly excluding costs for depreciation and capital reserves
- Puts greater pressure on fees to meet operational costs

"That the new Jarvis initiative goes beyond amending changes in Proposition 13 made by the courts and legislature," Simpson said, "is an important point only in understanding the full scope of the proposal. In terms of public fiscal policy, it is more important to consider the measure's impact on some basic issues."

Simpson listed the following as examples of those issues:

1. Would Jarvis IV improve property tax equity or would it widen the tax disparities between properties with similar market values?

2. Would Jarvis IV strengthen local government, or make it more dependent on the state?

3. Would simple majority popular vote assure adequate consultation of voters?

4. Would Jarvis IV improve the ability of local governments to finance the public services and capital improvements needed to accommodate economic growth?

5. Could $1.3 billion in added tax relief be taken without adverse impact on functions?

6. If a later recession generates needs for new local revenues, which of these potential sources would likely be targeted: Sales tax? Split roll? Personal income tax? Oil severance tax? Bank and corporation tax?

ACWA has announced its opposition to the proposition and has urged its members and other affected organizations to take positions on Proposition 36 and to send to the ACWA office copies of the actions taken by their boards of directors

CALIFORNIA POLL

Prop. 36 Is Not Faring As Well as Prop. 13

By Mervin Field

Proposition 36, Howard Jarvis' new initiative to limit and refund property taxes, is not generating the level of interest or voter support achieved by his 1978 tax limitation measure, Proposition 13, which was strongly endorsed by voters

A statewide survey completed the first week of September among a sample of 1021 registered voters found that little more than half of the public, 55 percent, have heard about Proposition 36

Among those aware of the measure sentiment is evenly divided – 19 percent in favor, 19 percent against and 17 percent undecided

All registered voters in the sample, whether or not they already knew about the initiative, were read a summary of Proposition 36's key elements and asked how they would vote if the election were held today

The results show about the same even split 43 percent saying they would vote yes, 41 percent saying they would vote no and 16 percent undecided The two percentage point difference between those voting yes and no is statistically insignificant

The question was posed as follows "**Proposition 36 amends and adds to Proposition 13 by prohibiting any new taxes on real estate property and requiring a two-thirds vote for enacting any new local taxes, fees and assessments. It would also make refunds totaling more than $1 billion to those who owned property in California between 1976 and 1978. If you were voting today on Proposition 36, would you vote Yes or No?"**

In periodic surveys after the 65-percent-to-35-percent passage of Proposition 13 in 1978, the California Poll observed a gradual softening of the public's viewpoint that taxes are too high and an increased awareness that some government services have deteriorated

For example, in a Field Institute study done last year, five years after the passage of Proposition 13, 43 percent of the public said that, overall, the measure had left them neither better nor worse off. An additional 29 percent said they were better off, and 23 percent felt they were worse off

In the current survey, a question was posed to measure the public's overall feelings about the tax and government spending changes that have occurred in California since the passage of Proposition 13

Slightly more than one-half, 53 percent, say they are satisfied, and 45 percent say they are dissatisfied with these changes

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Los Angeles Times

Wednesday, September 5, 1984

County Rejects Jarvis' Tax-Cutting Prop. 36

By TED VOLLMER
Times Staff Writer

The Los Angeles County Board of Supervisors, dominated by conservatives, voted 5 to 0 Tuesday to oppose the latest weapon in Howard Jarvis' tax-slashing arsenal, Proposition 36.

The vote against the November ballot measure, backed by the noted conservative tax cutter, came after Los Angeles County Chief Administrative Officer Harry L. Hufford warned of a reduction in a wide range of county services from property tax refunds and a permanent reduction in taxes mandated by the measure. Jarvis has maintained that the initiative is designed to strengthen the 1978 tax-cutting Proposition 13, which he says has been weakened by court decisions.

Board Chairman Deane Dana, a conservative, said the measure would weaken local government. Conservative Pete Schabarum said the measure "went overboard" and Mike Antonovich, the third conservative, agreed with Dana that the measure would hurt tax control.

Ed Edelman and Kenneth Hahn, the two more liberal board members, joined in the vote.

Hufford, who had recommended the board action, said the Jarvis measure would mean $605.7 million in tax refunds to about a third of the county's residents. The remaining residents would receive no direct benefit from the measure.

How Prop. 36 Would Affect Taxes

Under Proposition 13's assessment provisions, identical properties that are side by side can vary tremendously in property tax assessments depending upon when each one last sold. Proposition 36 on the November ballot would magnify the differences by giving refunds to some owners. This chart shows how the Los Angeles County chief administrative officer would figure tax bills on two homes valued at $122,500, the 1984 average value of a Los Angeles County home under the new initiative.

	Tax on one family home bought by Mar. 1, 1976	Tax on one family home bought after Mar. 1, 1976
1984 Market Value	$122,500	$122,500
1984 Assessment Value	41,400	122,500
Average Tax Rate (1.12%)	467	372
Refund under Prop. 36	(252)	No Refund
Homeowners Exemption	(78)	(78)
Net Property Tax	$137	$1,294

Hufford said, adding that even those receiving rebates could lose in the long run through higher fire and flood insurance rates.

Hufford said the tax refund provisions of the measure—which apply only to properties purchased before March 1, 1977—would cost the treasuries of the county, cities and local governments more than the $607.7 million refund.

Permanent changes in the tax structure would take another $215.5 million from all those levels of government each year.

Hufford said the reductions would be huge for the county, which provides social and health services for the poor, pays finances law enforcement, the courts, libraries and other services.

The refund would cost the county treasury $202 million. Permanent changes in the property tax structure would take another $79 million in county revenues each year.

In addition, Hufford warned, the county could lose about $102 million in federal and state revenues now obtained through county matching funds that presumably would be lost.

In the first year, the lost taxes would mean the elimination of about 3,883 jobs from the county's work force of 70,000, Hufford said. The county's 83 incorporated cities would lose about $99.6 million, with the largest city, Los Angeles, losing about two-thirds of that total, Hufford said. Los Angeles officials said Monday they have not made any specific forecast of the effect of the Jarvis initiative.

Losses totaling about $171 million also would be felt by local public schools, redevelopment agencies and independent service districts, Hufford said.

Proposition 36 is aimed at what Jarvis charges has been a steady erosion of the original intent of his first measure, Proposition 13, by the Legislature and the courts since its passage in 1978. Proposition 36 would reduce the taxes on properties purchased before March 1, 1977, and result in a refund of about $1.7 billion to property owners statewide.

Renters and homeowners who bought their properties after March 1, 1977, would not receive rebates.

The measure also would limit the ability of local governments to levy special taxes for law enforcement, fire protection, education or other purposes by requiring a two-thirds approval by affected voters.

"The 1985-86 impact of Proposition 36 on the county general fund equates to an approximate 21.5% cut in the net county cost of most departments," Hufford said in recommending board opposition to the measure. In future years, however, the impact will diminish because the property tax refunds are a one-time loss.

Hufford said the county's revenue loss estimates were based on the assumption that the state would not bail out local government and that the measure does not take effect until the 1985-86 fiscal year.

Hardest hit by the measure would be law enforcement, fire and public health services normally funded by property taxes, Hufford said. State mandated welfare and health programs would be hurt only slightly, he concluded. Local government also would continue to lose even more power to Sacramento than it has since Proposition 13, Hufford warned.

Flood Control, Libraries

Specifically, Hufford predicted if Proposition 36 passes, next year the Sheriff's Department would lose about 1,625 positions, Health Services about 1,247, Public Social Services (welfare) about 1,706 and the Probation Department about 641. In all, 8,833 jobs would be lost during the first year, while another 1,960 fewer county jobs would be funded the next year.

Other projected effects of the tax-cutting measure came from various special districts and key

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departments expected to be hit hardest by the measure.

•**Flood Control**: James Easton, acting chief engineer of the Los Angeles County Flood Control District, said the measure would result in a 60% budget cut that would hurt flood control, water conservation and emergency debris removal programs.

•**Fire Protection**: Acting County Fire Chief John W. Englund said the ballot measure would result in a "drastic" 16% funding reduction in the first year. The county provides fire and paramedic services to the unincorporated areas as well as to 43 cities.

Englund predicted that 300 jobs, at least 20 engine companies and six paramedic rescue squads would be eliminated, several fire stations would be closed and that the purchase of new equipment would be delayed.

•**Libraries**: County Librarian Linda F. Crismond estimated that the Jarvis measure would mean a layoff of 23% of the staff (about 300 full- and part-time workers), the closure of 15 of the county's 92 branch libraries located in 47 cities and unincorporated areas, reductions in operating hours of those libraries remaining open and a freeze on new book purchases for at least four months.

LOS ANGELES TIMES -- SEPTEMBER 16, 1984

NO on Proposition 36

Howard Jarvis, California's self-appointed tax cutter, claims that Proposition 36 must be passed this fall to "save" Proposition 13.

Don't be fooled.

Proposition 13 does not need saving. Since its passage in 1978, it has reduced California property taxes from among the highest in the nation to less than the average. The basic fact of Proposition 13—the 1% tax rate—is in the California Constitution and will remain there for the foreseeable future. So is the 2% annual limit on property assessment increases.

Proposition 36 is a much different creature. It would cripple the ability of every level of government in California to raise the most basic sorts of revenue to provide for the most basic public services, from water supplies to street lighting.

It has taken California six years and a radical reordering of state and local financing to adjust to the arbitrary tax rules of Proposition 13. The turmoil created by Proposition 13 would pale by comparison if Jarvis should succeed with Proposition 36.

There are myriad reasons for Californians to vote no on Proposition 36 this Nov. 6. Just a few:

Inequality—Proposition 13 created two classes of taxpayers in California: those who pay some property tax and those who pay a lot more. A basic tenet of good taxation is that it be fair. The latest Jarvis plan takes an inequitable situation and makes it worse.

Limits Fees—Proposition 36 would limit the use of fees and assessments to those actions which directly benefit the land affected or pay for the current costs of the program involved. For instance, fire district fees could not be used to finance pensions of the fire fighters and other costs generally considered as overhead, even if such fees were previously approved by voters.

Tax Restrictions—The measure requires a two-thirds vote of the state Legislature, or of the voters in a local government, to impose any new tax or fee or to raise any fee at a rate higher than the Consumer Price Index. This effectively imposes minority rule throughout state and local government in California.

Local Control—State law would require Sacramento to take over even more financing of California schools because of the estimated $750-million loss to local school districts during 1984-86. The state most likely would be forced to pay for many local services that otherwise would have to be eliminated.

There is an enticement, of course, and it will be a tempting one for many voters. By reversing the method used to implement Proposition 13 back in 1979, Jarvis promises tax refunds of nearly $3 billion, plus interest, to property owners. But the refunds would only go to some taxpayers, not all. In fact, they would go to those families who already get the most benefit from Proposition 13—those who have lived in the same homes since 1978 or before. Homeowners who bought their homes since then already pay a higher tax and would get no refund at all. In Los Angeles County, officials estimate that nearly 950,000 families would get a refund. Another 850,000 would get none.

More than half the refunds in the county would go to businesses and landlords. Still, most California business and industry is united in opposition to Proposition 36. "This is going to stop growth and economic development in California," said John T. Hay, president of the state Chamber of Commerce. Standard & Poor's, the bond-rating firm, already has put the state on a credit watch.

Proposition 13, for all its flaws, did put the brakes on runaway property taxes. And every homeowner benefited. Proposition 36 appears to have no such redeeming feature. It is a legal, fiscal and bureaucratic mine field riddled with potential hidden tax increases. Even Jarvis and his backers are not sure where the mines are planted or when they might go off.

Jarvis' most celebrated supporter, economist Arthur B. Laffer, admits that Proposition 36 contains challengeable economic features and fuzzy provisions that may have to be fixed by future ballot measures and state legislation. It will be a good test of our public officials, Laffer says, to see how well they can cope with the ambiguities.

That is not the way to make good law. Or any law at all.

Los Angeles Times Monday, September 17, 1984 Part I

Jarvis Seeks to 'Lock In' Tax Cuts

Prop. 36: A Rescue Net for Prop. 13 or Complex Law?

By RONALD L. SOBLE, *Times Staff Writer*

Conservative economist Arthur B. Laffer summed it up in a twinkling.

"All we're asking the people is: Do you like the changes the courts have made (in Proposition 13)? If you like the changes, vote against Proposition 36."

Conversely, the former USC professor says, a vote for the November ballot measure "will lock in" Proposition 13, the property tax revolt brainstorm that made Howard Jarvis a household name six years ago.

Essentially, Proposition 36 is aimed at overturning a number of court decisions and local interpretations bearing on Proposition 13, which tax-cutter Jarvis believes riddled the 1978 measure with a number of fiscal loopholes.

Sound simple?

In fact, Proposition 36, a proposed constitutional amendment, is a complicated piece of tax law, more than three times the length of Proposition 13, that opponents believe could tie state and local government and the courts into legal knots for years while attempting to sort out what it all means.

In his bid to "save 13," Jarvis is asking voters to approve an initiative that would:

- Trigger big property tax refunds for some while causing modest tax hikes for others.
- Further widen the gap that Proposition 13 helped foster between the property taxes paid by those who have hung onto property for years and those who bought recently.
- Create a fiscal tangle that opponents of the measure complain could make it more difficult than ever for local government to raise cash to underwrite vital services.

As was the case with Proposition 13, renters would reap no immediate tax breaks from Proposition 36.

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JARVIS: Newest Tax Measure Is Complex

Continued from Page 1

"It is directly contrary to Proposition 13 as far as treating property taxpayers equitably," said John H. Sullivan, vice president and general counsel for Sacramento-based Cal Tax Research, a nonprofit lobbying group supported by business. "This is 180 degrees opposite (from Proposition 13)."

For his part, Jarvis says this view is nonsense and that Proposition 36 simply locks in what he intended to do all along with Proposition 13: put a tight lid on government's ability to tax the public.

"Proposition 13 is in serious trouble," says Jarvis. The courts, "politicians and special interests" all "have undermined" the measure, he charges.

Proposition 36's first priority, then, is to correct what Jarvis feels are bad court decisions on Proposition 13.

One decision had to do with the 2% annual cap on increases in assessed values allowed under Proposition 13. The court ruled that a 2% increase should be added for every year since 1975, the base year set by Proposition 13 for establishing property values.

Jarvis claims, however, that he never meant for the 2% increases to be triggered for the three tax assessment years before Proposition 13 passed in 1978. Instead, he says, the 2% increases should have gone into effect after the measure was approved and not applied retroactively.

Therefore, Proposition 36 calls for a 2% refund (and a like reduction in assessed values) in each of the three tax assessment years before Proposition 13 was approved—amounting to about 6.1% (compounded), plus 13% interest, for the three years.

Would Trigger Hike

According to Peter Schaafsma of the legislative analyst's office, a little less than half of all property owners, residential and commercial, would receive refunds. The refunds, averaging $315, would depend on the property's value.

Those individuals who purchased their property after March 1, 1977, would get no refund.

But whereas Proposition 13 dramatically cut property taxes by $7 billion, this attractive refund provision of Proposition 36 would ironically trigger a property tax hike for more than half of the state's property owners. Here's why.

Proposition 36, like Proposition 13, says that property taxes must be limited to 1% of assessed value plus — and this is the only exception in the new measure — levies to cover any bonded debt approved by voters before July 1, 1978.

This bid, coupled with reductions in assessed values on property bought before March 1, 1977, would shift more of the tax burden to those properties purchased after that date.

If the initiative passes, it will be necessary to impose a property tax increase on all owners so there will be enough money to pay for previously approved bond issues. The increase will average $20 to $25 the first year and smaller increases after that until the debt is retired, according to state tax analysts.

The tax hikes aren't likely to matter much to those owners who bought their property before March 1, 1977, because they would get refunds. Their first year hike would be offset several times over by the rebate. That wouldn't be the case for recent purchasers of property who would not receive refunds and who would have to shoulder the tax increase, however modest.

Effect on County Residents

Not only would recent purchasers of homes and commercial property be stuck with a tax increase but the gap between property taxes paid by recent buyers and those who bought before March 1, 1977 would widen.

Both Los Angeles city and county officials have been wrestling to assess what this means locally.

In his recent report to the Los Angeles County Board of Supervisors, Chief Administrative Officer Harry L. Hufford estimated that about 33%, or 2.5 million county residents, would qualify for Proposition 36 tax refunds, another 22%, or 1.7 million property owners, wouldn't get a refund, and 45% of the county's residents who are renters, or about 3.5 million people, wouldn't receive a tax refund either.

In an internal memo to Mayor Tom Bradley last March, City Administrative Officer Keith Comrie said the Proposition 36 formula would produce a one-time windfall of $286 for the average Los Angeles home not sold since 1975 (to get the benefit of the full 6% reduction) and that this average home's annual $436 property tax bill would be reduced by $30.

What's more, said the Comrie memo, under Proposition 36, "a business property valued at $100 million in 1975 would receive a one-time $739,000 (refund) and have its annual $1.3 million property tax bill reduced by $73,000."

In response to criticism that Proposition 36 would benefit some more than others, economist Laffer, who says he is interested in making a bid for the U.S. Senate in 1986, says that while the measure wouldn't be all things to all people it would go a long way toward making Proposition 13 work the way Jarvis originally envisioned it.

Acknowledging that "this is not a perfect proposition," Laffer said that the tax increases would be "very small" and would be "offset" by Proposition 36's tough cap on local fees.

Many cities and counties compensated for revenues resulting from Proposition 13 by enacting thousands of fees. Rarely did these fees require voter approval.

Los Angeles Times

Economist Arthur B. Laffer

'The courts have taken every opportunity over the last six years to interpret Proposition 13 to maximize the ambiguities and to extend the tax base.'

Jarvis didn't anticipate that Proposition 13 would produce this stampede toward fees to finance everything from police and fire protection to maintenance of streets and roads. In fact, Proposition 13 didn't even mention the word "fee."

Attack on Fees

But Proposition 36 comes down on fees with a vengeance.

Any new fee proposed by local government after Aug. 15, 1983 would require a two-thirds vote, either by local voters or the Legislature.

No existing fees could be increased after this same date by a percentage greater than the consumer price index during the 12 months prior to the increase proposal [illegible] there was a two-thirds [illegible] local voters or the legislature.

Some cities, like San Francisco, are sitting on a large surplus, said Legislative Analyst Schaafsma so they wouldn't face an immediate financial crunch if Proposition 36 became law. But other cities, and particularly counties and special districts (since the latter two governmental entities are heavily dependent on property taxes and fees) could face a revenue squeeze, he said, in attempting to finance costs that exceed the CPI.

Furthermore, it's no snap getting that two-thirds vote.

Cal-Tax and the League of California Cities each conducted surveys between June, 1978, when Proposition 13 passed, and November, 1982, on this subject. They found that in that time, approximately 180 elections were held asking for voter approval of special taxes but that only 27% of the elections succeeded in gaining the required two-thirds vote. Under Proposition 36, fees would face this same two-thirds test.

New taxes and tax increases also must meet the strict two-thirds test.

Jarvis and Laffer and their supporters charge that liberal judges have blasted loopholes through Proposition 13 primarily through their interpretations of which taxes require a two-thirds vote and which don't.

"The courts have taken every opportunity over the last six years to interpret Proposition 13 to max

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Los Angeles Times Monday, September 17, 1984 Part I

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Continued from Page 1

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What Proposition 36 Would Do

The Key Provisions:

■ **Refunds:** Requires tax refunds to property owners who purchased before March 1, 1977, and who, under Proposition 13 formula, had 2% annual increases in their assessed valuation for one or more of the three years prior to Proposition 13's passage in 1978. Refunds would average $315 per property owner statewide, according to legislative analyst.

■ **Tax Increases:** Approximately $20-$25 in tax increases per property owner to service bonded debt incurred before passage of Proposition 13, according to legislative analyst. Tax increase would be required because pre-1978, 2% annual increases in assessed property values would be invalidated, thus reducing property tax base. To provide money needed to keep up payments on bond debts, all property owners would have to shoulder a tax increase.

■ **Taxes:** New taxes or tax increases could only be enacted by two-thirds voter approval or two-thirds vote of state Legislature. Eliminates taxes allowed under a California Supreme Court decision that permits city councils to increase taxes without voter approval. Such taxes enacted after Aug. 15, 1983, would be invalidated.

■ **Fees:** Restricts use of fees, which many local jurisdictions have relied on to raise revenue since the passage of Proposition 13. Declares that any fee exceeding direct costs of the service it underwrites shall be declared a tax and subject to the two-thirds vote requirement. Prohibits fees from being used to fund public employee pension liabilities.

■ **Non-Property Taxes:** May invalidate taxes collected by cities and special districts (such as for flood control, street maintenance or mosquito abatement), which are expected to generate about $300 million by the end of this year, according to legislative analyst.

■ **Property Transfers:** Exempts from reappraisal intra-family transfers of residential and commercial property.

■ **Property Valuation:** Ties in effect assessed valuation of property to purchase price instead of appraised market value, apparently giving owner more control over property's tax liability.

The Impact on Government:

■ **State:** Some increase in revenues — about $100 million — over first two years since property tax refunds would be taxed as personal income by the state. However, the state would have to replace approximately $600 million in lost property tax revenues now used to underwrite public schools in the first year and $250 million in the second year, according to the legislative analyst's office.

■ **Counties, Cities and Special Districts:** Could be hard hit by restrictions on use of taxes and fees to finance local services. Legislative analyst's office predicts locals would lose $2.8 billion over the first two fiscal years, including first-year refunds to almost half of the state's property owners of $1.7 billion, $600 million in local fee losses; and $400 million in other local revenue losses.

The Impact on Homeowners:

A Tale of Two Los Angeles Area Homes

	[illegible]	[illegible]
Market Value	$117,000	$117,000
1974 Purchase Price	40,270	—
1984 Purchase Price	—	117,000
1984 Assessed Value	48,126	117,000
1984 Property Tax	457	1,221
Tax Under Prop. 36	438	1,254
Refund Under Prop. 36	290	0

[illegible]

JARVIS

Continued from Page 2

mize the ambiguities and to extend the tax base," Laffer recently told reporters.

In a San Francisco case, the California Supreme Court held in 1982 that cities could raise certain local taxes without a vote of the people. This decision opened the door to hundreds of levies which have generated hundreds of millions of dollars from business license, utility, hotel/motel, admissions and parking taxes, among others.

Under Proposition 36, all legislative and local attempts to enact new taxes or to increase existing ones would require a two-thirds vote.

Any tax hike "which was enacted with less than a two-thirds vote of the electorate after Aug. 15, 1983, would be invalid," according to a Proposition 36 analysis prepared for the Legislature by the Assembly Revenue and Taxation Committee and the Senate Office of Research.

Proposition 36, through its taxing restrictions, also puts a clamp on local government's ability to use the property tax to raise funds for public employee pension plans.

Jarvis always felt that much of the "fat" in government could be found in what he has called "bloated" government pension plans.

Proposition 36 would go a long way toward restricting the methods that government uses to finance these plans.

Jarvis had assumed that under Proposition 13, property taxes could be raised only above the 1% ceiling to pay off previously approved bonded debt. But in 1982, the California Supreme Court, in Los Angeles County's "Carmen" case, held that the ceiling could also be lifted to cover the costs of employee retirement plans.

"This decision validated about a dozen city retirement plan overrides and opened the potential for major increases in property taxes, involving more than 120 cities and counties . . . ," a Cal-Tax analysis said.

Subsequently, the Legislature placed a two-year moratorium on using property taxes for this purpose. Proposition 36 would, in effect, repeal so-called "Carmen" taxes already enacted and permanently ban any new ones.

Jarvis told The Times that the cries of his opponents that the sky is falling have a certain ring of *déjà vu* since that was the battle cry of his Proposition 13 critics.

"It's exactly the same thing, the same old arguments," he said. "(They said) Proposition 13 would eliminate the schools, the police, the fire department. Are they gone?"

Like Laffer, Jarvis feels the basic message of Proposition 36, unlike the measure itself, is quite simple to digest.

"If you like Proposition 13, Proposition 36 is there to save it. If you don't like Proposition 13, then vote 'no' on Proposition 36."

A survival guide for local government

The financing revolution in California

By John Rehfuss
Special to The Bee

WHAT LOOKS like a museum, sounds like a tax shelter and means more money for a local convention center? It's a $22-million deal in which Oakland officials sold their museum to investors.

The money is used to convert the civic auditorium to a convention center and the city will lease and eventually buy it back from the investors. The investors' money comes from tax-exempt bonds issued by a locally created public authority.

Sound complex? The plan has worked so well that officials intend to sell the auditorium under the same arrangements to fund the second stage of the convention center; that is, if Congress doesn't repeal the recent legislation that permits these tax shelters.

Are high-flying financial transactions like this now common in California? No. But they are a lot more common than, say, 10 years ago. And they're only one example of the creative ways that governments are adapting modern business and financial practices to their own operations.

Actually, the Oakland leaseback deal isn't very different than many others over the past 25 years, other than the fact that the museum was actually sold, rather than merely leased. This little difference is worth about 2 percent per year in interest.

A more radical case occurred in Fairfield. There the city used its power to condemn scattered property holdings so a developer could create a shopping mall. Fairfield's price was a 25-percent share of gross receipts. The city is, in effect, in the real estate and development business.

John Rehfuss is professor of public administration at California State University, Sacramento.

WHAT CAUSED this revolution in local government finance? First, it's not just a financing revolution, but a management revolution involving an aggressive, sometimes frenzied, search for money. Second, it has largely happened because of the passage of Proposition 13, when cities, counties, schools and special districts lost $7 billion in property tax revenues. All of this wasn't made up by state aid, so localities, particularly cities (which have the most legal power), are looking hard for savings or new revenues wherever they can. Third, the 1981 and 1982 recession cut sales tax receipts drastically, forcing localities to tighten their belts and become even more cost effective.

There are a number of ways that governments have responded to their fiscal crunch. A common way is to dramatically increase fees and charges. Events and services such as senior citizen recreation programs and expanded sewer lines can no longer be subsidized by the general taxpayer. Therefore, all the costs (and they can be very high) are "frontloaded" onto the user.

A minor example is Sacramento County's $2 charge for parking in recreation areas. A major example is the common practice of cities, while issuing building permits, to require improvements such as streets and sewers (they always have) and also charges for parks, fire stations and future police services.

This adds enormous costs to a new house (30 percent by one estimate). Developers are crying the blues and pointing out that the charges are as much of a drag on the housing market as high interest rates. Local officials simply say they can't provide service without the charges. Further, they note that the charges will simply be passed onto the buyers in a 30-year mortgage instead of being collected over time in higher taxes.

Another cost-cutting tool: Local officials are using "creative financing" to fund expensive capital projects. Oakland is one case. Another method is expanding traditional lease-purchasing arrangements to 10 years and marketing them to more investors, thus creating a form of tax-exempt real estate investment trust. This financing mechanism is called tax-exempt Certificates of Participation (TXCPs). Lease purchasers are, in effect, renting instead of buying equipment to avoid legal debt requirements for voter approval. This reduces the cost of a lease purchase to that of an ordinary bond issue.

A Santa Rosa city hall, Los Angeles police station and Fresno methane gas facility used TXCP financing.

Other ways of cutting costs involve tough-fisted management, generally associated with business and corporate life. Used by public officials for sometime, these methods have recently been employed more often and more publicly to cut back.

Sacramento County drew a lot of national attention when it tried to save general assistance money (that's money not used for state or federal assistance programs). The Bannon house was developed into a home where adults eligible for general assistance would have to take shelter and meals there rather than a cash payment. It was cheaper to the county and, as expected, many people chose to leave the assistance rolls rather than live there. The Bannon house was labeled a throwback to the "poorhouse," and a suit has been filed which is now before the State Supreme Court. If revived, it will be a controversial but cheaper way of providing general assistance.

ANOTHER cost-cutting method arises from collective bargaining. Steel and auto unions were forced into "givebacks" of previously earned benefits to companies in lieu of layoffs when their industries went sour. Civil service union members also face demands for givebacks. Los Angeles County pulled out of the Social Security system in 1982 to

save the employer's share of contributons. This was part of a collective bargaining agreement to maintain salaries but reduce employer fringe benefit costs.

Likewise, the City of Sacramento showed its teeth when facing a 1981 fact-finder decree awarding an 11-percent midyear hike to firefighters. The city simply laid off 20 firefighters to make up the settlement cost. This involved minority and women firefighters. Fortunately, all those laid off were eventually rehired to fill vacancies. Unfortunately, trading jobs for pay hikes is a way of collective bargaining life in California governments today.

Government managers are becoming more skilled at cost-cutting innovations in recent years. San Jose hires private contractors to cite parking violators. Garden Grove saves $55,000 annually by contracting out management of its health insurance plan. Hercules (Contra Costa County) hires policemen for a three-year contract, which can be terminated by either party. Menlo Park publishes a gift catalog from which citizens can select tax-exempt gifts for the city. West Covina contracts out its recreation program to a private firm for a fraction of the cost plus a share of the receipts.

Norwalk engineers developed a "bulletproof" street light for use in neighborhoods plagued with vandalism. Ventura switched to civic volunteers for special services it could no longer afford after Proposition 13. Finally, San Diego saves money by registering voters by mail, although the program is now in legal limbo.

Some public officials, both career and political, have been able to make names for themselves by highlighting their ability to manage under fiscal constraints. B.T. Collins reaped tremendous publicity and a larger budget from his work as head of the Civilian Conservation Corps and the motto, "Hard work, low pay and miserable conditions." The slogan drew recruits like flies and showed that B.T. was as adept at media imagery as he was at management. His reward was to move up as Gov. Jerry Brown's chief of staff.

Lower-key and more professional, Dave Rowlands moved up to San Joaquin County executive because he took heat, cut the budget and set up a strong management system in Yolo County after Proposition 13.

Sometimes, public officials cut one too many corners looking for money. State Controller Ken Cory, who won election in 1978 with the slogan, "The man oil companies fear most," ruined his image: He pushed through a hasty investment into Texas oil leases, apparently losing the Teachers Retirement Fund some $11 million. Since then, his fellow voting member, Gilbert Cmiel, who was president of the system, left the country.

The Cory fiasco isn't typical of most public executives, who are more professional, less clairvoyant and are simply trying to keep their government afloat in the sea of red ink. Their efforts are important, but not enough to bring their governments back to fiscal health. Fiscal health will come when citizens either stop demanding services or agree to finance them adequately. Until then, improved management and creative financing will help government limp along until someone performs major surgery.

RESOLUTION NO. 84-159

RESOLUTION OPPOSING PROPOSITION 36, THE
JARVIS IV INITIATIVE CONSTITUTIONAL AMENDMENT

WHEREAS, the Jarvis IV Initiative Constitutional Amendment which will appear on the November ballot as Proposition 36 would lead to de facto minority rule by requiring a two-thirds vote for many important local government decisions; and

WHEREAS, Proposition 36, by further restricting local governments' revenue-raising authority beyond the requirements imposed by Propositions 13 and 4, would seriously weaken the concept of "Home Rule" by making local agencies more dependent upon the State for their financial stability; and

WHEREAS, Proposition 36 will further reduce the ability of local government to plan for and finance public services and capital improvements needed to sustain development and accommodate economic growth; and

WHEREAS, the passage of Proposition 36 will widen the disparities between the taxation of properties with similar market values; and

WHEREAS, while the supporters of Proposition 36 claim it will reduce taxes, it will actually increase property taxes for nearly all taxpayers who have purchased properties since 1978, including approximately 50% of the homeowners in California; and

WHEREAS, one widely applauded result of Proposition 13 has been to relieve general taxpayers of the burden of paying for services which could be charged directly to the service user through fees, this trend will be reversed, returning part of the financial burden for fee-supported services to general taxpayers if Proposition 36 is enacted; and

WHEREAS, the passage of Proposition 36 will cost local school districts some $750 million in 1985-86, thereby seriously jeopardizing the urgently needed improvements in primary and secondary public education in California; and

WHEREAS, many of the provisions of Proposition 36 are confusing and ambiguous and will require further clarification, either by future ballot measures, state legislation and/or court interpretation,

NOW, THEREFORE, BE IT RESOLVED, by the adoption of this resolution, the City of Lodi opposes Proposition 36, the Jarvis IV Initiative Constitutional Amendment.

Dated: October 17, 1984

I hereby certify that Resolution No. 84-159 was passed and adopted by the City Council of the City of Lodi in a regular meeting held Wednesday, October 17, 1984 by the following vote:

Ayes: Council Members: Hinchman, Reid, & Snider (Mayor)

Noes: Council Members: Olson and Pinkerton

Absent: Council Members: None

Alice M. Reimche

Alice M. Reimche
City Clerk

WE DO NOT WANT TO EMPHASIZE OR SPECULATE ON DOLLAR LOSSES OR THREATENED LOSS OF SERVICES. WE SIMPLY DO NOT KNOW WHAT THE COURTS OR LEGISLATURE WILL DO IN THE AFTERMATH OF A PROPOSITION 36 PASSAGE.

WE SHOULD TAKE A POSITION ON PROPOSITION 36 FROM THE VIEW POINT OF PUBLIC POLICY AND THE EFFECT ON THE PROVISION OF FAIR AND EQUITABLE GOVERNMENT.

AS A MATTER OF INTEREST, THE FOLLOWING AGENCIES HAVE GONE ON RECORD AS OPPOSING PROPOSITION 36.

AMERICAN ASSOCIATION OF RETIRED PERSONS
AMERICAN ASSOCIATION OF UNIVERSITY WOMEN
ASSOCIATED GENERAL CONTRACTORS OF CALIFORNIA, INC.
CALIFORNIA CHAMBER OF COMMERCE
CALIFORNIA COMMON CAUSE
CALIFORNIA COUNCIL FOR ENVIRONMENTAL AND ECONOMIC BALANCE
CALIFORNIANS FOR EFFICIENT LOCAL GOVERNMENT
CALIFORNIA FARM BUREAU FEDERATION
CALIFORNIA HOUSING COUNCIL, INC.
CALIFORNIA ROUNDTABLE
CALIFORNIA TAX REFORM ASSOCIATION
CALIFORNIA TAXPAYERS ASSOCIATION