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Taxes

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TAX DECISIONS - 1969

Werner Z. Hirsch

MR-120

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Tax Decisions - 1969

Werner Z. Hirsch*

I.

Contrary to the opinion of some observers, the tax system and tax structure developed by the State of California to finance State government activities is reasonably equitable, effective and productive. This does not mean that there is no room for improvement. Replacing a disguised semi-annual income tax withholding system with an overt monthly income tax withholding system would be a step in the right direction. Replacing the corporate income tax by a value-added tax and reducing state-granted property tax exemptions might also be improvements.

But I doubt that these are the truly significant tax decisions facing us in California in 1969. Were it not for serious local government fiscal crises, the State of California would have relatively little to worry about, as far as State taxes are concerned, mainly because of the great improvements brought about by the Revenue Act of 1967. In my opinion we can even afford to make some increases in expenditures for higher education and mental health care. Except that it did not include a withholding feature, this Revenue Act was truly forward looking and its architects should be congratulated.

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The agonizing questions that we in California do face in 1969 relate to the malaise of our local governments and their treasuries. We must reconsider these questions: (1) What services should local governments perform? (2) What expenditures should be financed by local governments and by what taxes? (3) How much State aid should be given to local governments, and in what form?

II.

The fiscal challenges of 1969 are likely to come about less because State officials have decided to take another look at local government finance and their role in it, than from the actions that local officials are likely to take. Specifically, key municipalities have decided to seek the right to levy income taxes, and possibly State legislation that would provide for uniform income taxation throughout the State. The cities are seeking these rights not only in the California Senate and Assembly but also in the courts. What makes this decision so important is that if local governments in California begin to levy progressive income taxes, they will have become actively engaged, like the State and Federal governments, in income redistribution. The rates of local governments, added to those of the State and Federal governments, will create a highly progressive total rate structure. This is indeed a far-reaching step, one which, because of its importance should be taken only after due deliberation and with full understanding of its implications. To put the issue into proper perspective, we must remember that by far the most important civilian government users of resources—whether manpower or materials—are local governments. In the production of goods and services, they are much more important than State and Federal governments, which often delegate actual production responsibilities to local governments and private industry. Thus if, for example, we interfere with the efficiency with which local government activities are performed, we tend to lose a major opportunity to enhance overall civilian government efficiency.

III.

Let us consider some of the problems faced by local governments. The fiscal difficulties of local governments are caused by some factors that are mainly beyond their control—especially interjurisdictional spillovers of costs and benefits, i.e., services paid for (or benefitted from) in one jurisdiction but benefitted from (or paid for) in another—and by other factors that are within their control but are largely not controlled because of political considerations. Examples of the latter are tax competition and voting procedures on taxes and bonds; another is great reliance on property and sales taxes. Increase in total revenue to government from property and sales taxes is less than proportionate to percentage increases in local income. Thus, expenditure desires tend to out-strip tax receipts because the income elasticity of expenditures tends to be greater than the income elasticity of revenues and the property and sales tax base does not grow as rapidly as do service desires. Also, difficulties are incurred because such people-oriented services as education are financed through property-oriented taxes.

To cope with these difficulties, what type of income taxes would be most productive in helping local government—payroll taxes; gross income taxes, which do not allow certain expense deductions; proportionate net income taxes; or progressive net income taxes, both of which allow for certain expense deductions? Payroll taxes are extremely inequitable because they hit mainly wage earners; gross income taxes, if they are to be properly enforced, are expensive to administer, and so are proportionate net income taxes. Furthermore, none of the three is income elastic and thus none will help to close, on a continuous basis, the gap between expenditure desires and tax receipts. Local progressive net income taxes, particularly if they are levied on the same base as the State income tax (and perhaps collected by the State), are easily and inexpensively collected; they are also income elastic and therefore of the four types of income tax they are likely to fill best the need of local governments.

But what are the side effects of local progressive net income taxes, and who should levy them? Let us briefly consider six criteria by which local progressive net income taxes may be judged:

A. Collection effort: If local progressive income taxes are easily related to the State tax and collected by the State, the collection effort is small and inexpensive.

B. Income redistribution: A progressive income tax is related to people's ability to pay, and therefore redistributes income. Thus, the imposition of such a tax would involve all three levels of government in the redistribution of income, yet possibly without much coordination.

C. Resource allocation efficiency: For the sake of resource allocation efficiency local governments should rely on benefit taxation and should determine tax and expenditure items by marginal cost pricing criteria. Thus, resources are most efficiently allocated by governments if the market mechanism can be relied upon, i.e., if user charges can by employed. With the efficiency objective in mind, the next best taxing techniques are those that employ the benefit principle effectively; to some extent this holds for the property tax levied to finance property-related services, e.g., fire and police protection, refuse collection, sewage disposal, and street cleaning. Of all the taxes cities can employ, the progressive net income tax might be among those least consistent with efficient allocation of resources.

D. Productivity of tax: Because a progressive net income tax is income elastic, it tends to produce tax yield increases at a rate that is more rapid than that at which income increases take place in the locality. As a result, the net income tax tends to be very productive and to contribute to closing the perennial expenditure-receipts gap.

E. Location distortion and economic growth: Since the personal income tax has a highly mobile tax base, i.e., income earners are extremely mobile, differential income tax levies among communities are likely to lead to location shifts of population and retard the economic growth of those communities that heavily rely on this tax. Thus the person who would face substantially greater income tax payments in one community would tend to migrate to another that offers advantages, possibly outside the State of California.

F. Tax yield stability: Because of the relatively high income elasticity of the income tax, its yield tends to be less stable over the business cycle than, for instance, the yield of the property tax. Thus, during periods of economic slowdown, tax receipts will slow down even more rapidly than does business activity, and with hardly any accompanying decline in service costs. At the same time, service desires may be constant or even anti-cyclical. Local tax yield instability is serious, since unlike the Federal government, local governments can neither control aggregate economic activity nor easily borrow funds to balance the budget.

At the moment the major pressure for a local income tax comes from large cities; however, counties and school districts also could consider using the progressive net income tax. The large California counties and school districts in many respects appear to have more reason to seek income taxes than do city governments. Thus, for example, to minimize location shifts and growth retardation—and to minimize inefficiency resulting a) from people-oriented services presently being financed by property-oriented taxes and b) from intercommunity spillovers—large California counties that are responsible for health and welfare services, as well as California school districts, are more appropriate units to levy progressive net income taxes than are cities. As a matter of fact, to minimize location distortions and in the hope of minimizing growth-impeding effects, local governments tend to seek legislation from the State that would impose a uniform income tax on local jurisdictions. The local income tax, if it is made uniform by State legislation, is not dissimilar from a State income tax. Thus, we have come full circle and the question is, why not merely raise the State income tax instead of going to the bother of instituting local income taxes with all their complex problems?

IV.

I am less interested in providing specific recommendations for 1969 than in pointing to an important decision area and, I hope, stimulating thoughtful dialogue. Thus I am more interested that the decision to permit local governments to levy a progressive income tax be made in full awareness of its ramifications than in opposing or endorsing it.

However, if pressed, I would be willing to offer an alternative solution.

1. A good case can be made against the levy by local governments, particularly by cities, of progressive income taxes and against their joining the Federal and State governments in redistributing the income of Californians. However, local governments in California need additional funds; otherwise, funds will be required from higher levels of government for certain services that are presently financed locally or the provision of those services will have to be shifted to higher levels of government.

There is much merit in seeing to it that health and welfare service financing be federalized, and there are indications that Congress and perhaps the Administration are willing to seriously consider completing moves in this direction. The State of California might assume greater responsibility in financing education. To minimize the danger of State aid to school districts (and other local governments) producing waste and inefficiency, the State could replace detailed restrictions on categorical grants based on need, e.g., aid per pupil in average daily attendance, with minimum standards of program accomplishment, e.g., average achievement scores. Since great progress has been made in the last ten years in measuring service outputs and performance, I don't foresee insurmountable technical difficulties in switching from the existing restrictions, which are mainly input-oriented, to output-oriented performance criteria. If such a shift is to take place, the State should institute a time-phased 5-year program which would make the transition gradual.

2. To further increase efficiency, the State could induce the creation of areawide government units to render services which benefit from areawide scale, e.g., air and water pollution control, sewage, transportation, public health, water, planning, hospitals, etc.

3. The State could also induce city and county governments to rely, whenever feasible, more heavily on user charges, and in this way could bring about more efficient use of resources.

4. Furthermore, the State could induce small local governments to consolidate and reduce problems caused by externalities and in this manner to counteract a tendency to underinvest in local government services. This would reduce the existing local fiscal crises.

5. Finally, the State could stimulate those local governments that use property taxes to shift some of the assessment from improvements to land. Even if, on the average, property owners would pay the same amount of property tax, substantially higher

rates on land values would induce owners of low-use land to convert to higher value uses. Land speculation would be reduced and replacement of rundown structures by new ones would be encouraged.

I would like to offer a note of caution, however. Because property taxes have been capitalized in many land values, it would be unwise to assume that government could reduce property taxes rapidly or to a large extent. Thus, the transition should be gradual and basically only small total reductions in property taxes might be expected; however, ultimately property taxes would be mainly collected by municipal governments. County governments would continue to levy property taxes solely to finance property-oriented services.

Only if we could not visualize greatly increasing Federal financing of health and welfare services, and State financing of education services, should we consider relying on local income taxes, which should then be assigned to county governments and (or) school districts.

V.

One of the great metropolitan newspapers in the State of California recently concluded that a need exists "to revamp the present inequitable state tax structure." I would suggest that at the top of the agenda for 1969 is effectively helping local governments in California better serve their citizens efficiently, without continuously facing financial crises. The State can take the easy way out and pass enabling legislation permitting cities to levy an income tax. Such an act will make it even more difficult for local governments to pursue policies that allocate resources efficiently and will, instead, get them into the business of redistributing income, a role already played by State and Federal governments. Local government revenues would become increasingly unstable over the business cycle. Instead, State governments could gradually, but substantially, increase their financial aid to local governments through conditional grants accompanied by performance standards and the four inducements suggested above and thus could encourage local governments to be more efficient and effective in servicing their constituents.

The very fact that Proposition 9 was placed on the ballot in California and millions of Californians voted for it in November 1968 testifies to the great dissatisfaction with our tax system. California voters are protesting against our fiscal system, especially against that of local governments. Leaders in the executive and legislative branches of government are well advised to heed this protest and to help California's local governments into a sounder financial position to serve people equitably, adequately, and efficiently.

PRESS RELEASE
Department of Finance
Caspar W. Weinberger, Director
445-4141

FOR RELEASE PM'S THURSDAY, October 24, 1968

Tax Reform

"Proposition 9, one of the most destructive and potentially dangerous measures to be on the California ballot in many years, illustrates once again the grave weakness of our initiative laws," Caspar W. Weinberger, state director of Finance, said in San Francisco today.

Speaking to the Society of Municipal Analysts, a national organization made up of representatives of the principal underwriters and purchasers of state and local bonds throughout the United States, in a meeting in San Francisco, Weinberger said "Only in California could a measure like the Watson Amendment, Proposition 9, be put on the ballot for the serious consideration of the voters. Nowhere else would such a piece of fiscal idiocy even get beyond the talking stage.

"Proposition 9 would effectively destroy local government; it would vitally weaken, if not end, the State's Water Project, and it would seriously injure the state's credit for years to come. Worse than any of these things, is the fact that Proposition 9 is billed as a 'tax relief measure' when in fact it could only result in a major and virtually insupportable tax increase for virtually all Californians.

"Proposition 9 would forbid the use of any property taxes for the support of education, welfare and any other services that might be added later. It would leave us with the alternative of either closing the schools and depriving people in need, or trying to find some kind of substitute tax. Clearly, the latter would have to be the solution. Clearly, too, the $4.5 billion tax requirement that Proposition 9 would shift to the state government could only be raised by drastically increasing sales and income taxes. We would have to double the state income tax and triple the sales tax, or vice versa, to find the amount of revenue which Proposition 9 would so casually take off the property tax rolls.

"And who, if anyone, would be the beneficiaries of this fantastic measure? There can only be one group that would really benefit. That would be the small group composed of those who own California land in enormous quantity, but who are not Californians--who live outside the state. They would have their property taxes cut and they would not have to pay the doubled state sales and tripled income taxes made necessary by Proposition 9. This is a pretty small and scarcely deserving group to be benefitted by a measure which would cost all of us vastly increased taxes.

"We are already taxed far too much. The total taxes many Californians now pay for state, local and federal government is approaching .35 cents to .38 cents out of every dollar earned. Proposition 9 would add immeasurably to this burden without benefitting anyone except that tiny group of non-residents.

"Furthermore, the bonding limitations contained in Proposition 9, which are among its most serious and least understood features, would mean, among other things, the crippling of the State's Water Project and a prohibition against bond financing of schools, hospitals, roads and public institutions of all kinds in most areas of the state. The bond provisions of Proposition 9 are so poorly drafted that those who must give legal opinions of validity before any bonds can be sold are agreed on only one thing: No one knows exactly what the bonding limitation features of Proposition 9 really mean.

"The effect of this proposal on the credit of the state and on our ability to market bonds would be utterly destructive for years to come.

"And all of this for the benefit of a few out-of-state land speculators.

"'How,' it will be asked, reasonably enough, 'could such a measure ever be seriously considered by the citizens of the largest state of the United States?'

"In other parts of the country, people are asking why it is that California has reverted to its earlier history when such nonsense measures as the 'Townsend Plan,' the 'Ham and Eggs Initiative,' 'Thirty Dollars Every Thursday,' and similar nonsense used to appear regularly on the ballot.

"As a matter of fact, we do not even have to go that far back to find examples of the kind of proposals that require California's adult voters to raise hundreds of thousands of dollars to try to defeat almost every election.

"Right after World War II, a measure that still is fodder for most governmental textbooks was not only placed on the ballot by the initiative process, but was passed. This was a Constitutional amendment which literally named a lady named Myrtle Williams as director of Social Welfare, and added other equally undesirable provisions. One year and several million dollars later, Myrtle Williams was repealed by a vote of the people, but a great deal of damage had been done, and our state was again the laughing stock of much of the rest of the country.

"More recently, we have had before us, among others, a measure sponsored by movie theater owners to ban an equally legitimate, but competitive business--pay television. This measure also passed-- only to be declared unconstitutional by the court. And then there was a proposal which would have turned over the sole and exclusive rights to run a state lottery to a private corporation which would pay a nominal fee to the state for this privilege estimated to be worth hundreds of millions of dollars. This one happened to be defeated.

"Why is it that California seems to be the home of such 'ballotomania'?

"The answer is simple and so is the solution, but unfortunately, the solution is not one the people are likely to adopt until many more generations of similar ballot measures are proposed and, after Herculean struggles, either defeated or repealed after we have had a short brush with experiencing them.

"Hiram Johnson, who became governor of California at a time when the legislature was corrupt and totally lacked the confidence of the people, had what he thought was the answer: 'You take part of the legislative power,' said Hiram Johnson, 'away from the legislature and give it to the people. You can always trust the people and then no matter how corrupt the legislature might be, the people will always have a safeguard.' So he proposed the California Initiative procedure. Under this plan, when the signatures equalling five percent of the people who voted in the last gubernatorial election are gathered on a petition sponsoring a proposed statutory Constitutional amendment, that measure goes on the ballot for the voters to pass on at the next election. If a simple majority then votes for the measure, it becomes part of our Constitution, or statutory law, and can only be modified or repealed by another vote of the people.

"Now, in theory, all of this sounds fine. The simple fact of the matter is, however, that 'the people' do not spontaneously, or otherwise, decide they want a measure on the ballot. A small group, such as out-of-state large land speculators, for example, will decide that they would like to make more of a profit out of California land at the expense of California's citizens. The will of the people, as envisioned by Hiram Johnson, has nothing whatever to do with it. What happens is that the small group goes to a typical and highly indigenous California product, the professional signature gatherer. There are two or three of these firms in California and, given a sufficient amount of money (I believe the going rate is around 50¢ a signature), they will absolutely guarantee to get any kind of a measure, no matter what it may say, or not say, on the ballot.

"This is because of the peculiar habit of enough Californians who are willing to sign any piece of paper which is thrust in their face with a pencil accompanied by the magic words 'Cut your taxes.' The petition may actually be sponsoring an initiative measure providing for the immediate execution of former Governor Brown--it makes no difference what the measure says. Enough signatures can be obtained, if enough dollars have been contributed to the professional signature gathering firm, because enough Californians never read any petition before signing.

"Thus, it is not the will of the people that is served by the initiative--it is instead the will of any group of people, small or large, who either have, or can raise, enough money to buy the signatures to put anything they want on the ballot. Hiram Johnson may have thought he was solving the problem of a corrupt Legislature, but what he was doing was hauling out on the stage of California a bigger and more deadly box than Pandora's. And regularly, every two years, some group comes along with the key.

"One simple answer that has been proposed for all this would at least ensure that the people had more of an idea of what they were signing when they agreed to authorize an initiative measure to reach the ballot.

"This would require that initiative petitions could only be signed at the office, and before an official, of the county clerk or registrar of voters. This would require the slight effort of the voter getting himself to the county offices, rather than the present practice under which signatures are obtained at street corners, crowded supermarkets and other public places, by unofficial signature gatherers who may not be too careful about their descriptions of the initiative measure.

"It would not in any sense interfere with, or limit the right of the citizen to participate in the legislative process through the initiative. It would definitely make it more difficult for small groups, through the expenditure of large sums of money, to guarantee the presence on the ballot of any measure, no matter what it might provide. It is a modest proposal which would somewhat reduce the chances of such permanently destructive measures as Proposition 9, or its older blood brothers, from reaching the California ballot and endangering our national credit and reputation.

"These things are of far more than academic interest and are infinitely more serious than they are amusing. If we allow our national credit to be destroyed, if we do anything which casts any doubt in the minds of people in other parts of the country charged with the investment of new private capital that California is an unsafe or unsound place for them to bring their funds to invest, we will have crippled our ability to attract the new business and industry we must have to produce the jobs we need to take care of the hundreds of thousands of new people coming into the State every year."

# # #

PRESS RELEASE FOR RELEASE FRIDAY P.Ms. MAY 16, 1969

REMARKS BY CASPAR W. WEINBERGER
California State Director of Finance
Tax Executives Institute
Ahwahnee Hotel, Yosemite
Friday, May 16, 1969, 12:00 noon

"It is no longer accurate to say we are on the verge of a taxpayers' revolt," State Finance Director Caspar W. Weinberger said today. "We are right in the middle of a major rebellion by California taxpayers against all levels of government, and it is a justified revolt.

Weinberger, speaking to the annual meeting of the Tax Executives Institute at Yosemite today, said that "every major school bond issue and virtually every tax override proposal has been defeated in the past few months by voters whose increasing disgust is becoming more manifest every day.

"Under these circumstances, it is clear that the whole economic future of California depends to a far greater extent than most people seem to realize, upon the immediate adoption of a major reform in our whole State and local tax system.

"The Governor's tax reform program, with two twin goals of transferring some of the impossibly heavy share of the total burden of taxation away from the residential property owner, and of improving both the quality and the equality of our public school system, offers the first major hope of improvement for Californians in over 30 years.

"Tax reform has to be more than a hope, however. If we are going to shift some of the burden from residential property owners to a more elastic and equitable income tax, and to non-residential property, both of which taxes reflect an ability to pay, it has to be a guaranteed permanent shift."

Weinberger said that "ever since 1933, Californians have been promised that higher state taxation either in the form of a sales tax or an income tax, would automatically mean lowered local property taxes. Those promises have never been fulfilled. The unique---and one of the best features of the governor's plan---is the proposal for a ceiling on local taxation which would act as a guarantee that our move away from such heavy reliance on residential property taxation would be a permanent move and not just an invitation for higher local taxation to match the higher state taxation. This would be accompanied by a provision that no new programs would be required of local government by the state, unless the state provided resources for those new programs.

Remarks by Caspar W. Weinberger, Ahwahnee Hotel, Yosemite

"The governor's tax reform program has been offered as a non-partisan and urgent effort to secure a broader and more equitable method of shouldering the heavy financial burden imposed by one of the finest public school systems in the world. For far too long, we have called upon homeowners to carry far too big a share of that heavy burden by paying a tax that has little relationship to their ability to pay. When you couple that fact with a genuine and, in many cases, justified suspicion that many of our tax dollars are being improvidently used for too much administration and too little teaching, for too much permissiveness and too little emphasis on securing quality education, you have not only all the ingredients, but many of the reasons for the revolt of our taxpayers.

"But explanations will not improve the quality of our schools nor eliminate the causes of the taxpayers' rebellion.

"The Administration's tax reform program, under which the state would assume 80 percent of the cost of the entire public school system, and relieve homeowners of half the burden of property tax they now must bear, offers us the best hope of maintaining, and restoring where necessary, the quality and equality of our public school system.

"This massive increase in state aid for our public school system would be accompanied by a removal of all the artificial and highly complex state mandates and requirements that have hedged about efficient local control of our schools. There would only be one state requirement imposed on local school districts, and that would be the necessity, through the adoption of measurement programs and cost-effectiveness analyses, for local school districts to assure our citizens that the vast taxpayer outlay necessary to support our school system was being spent in a way that produces results, rather than simply resulting in higher bills each year and increasing public doubts of the quality of the system. There have been too many people who argue that all school problems will be solved simply by adding more tax dollars. Over 80 percent of all state school aid goes to pay teachers' and administrators' salaries. And it has not yet been demonstrated that you improve a poor teacher by paying him a higher salary.

Remarks by Caspar W. Weinberger, Ahwahnee Hotel, Yosemite

"Despite the non-partisan nature of the governor's program, and the fact that it is designed to solve the most difficult and most urgent of all problems confronting all state governments today, it is a measure of the intellectual poverty of the Democratic leader of the Assembly that he should have immediately, and by his own admission before he had read the plan, attacked it in the most bitter terms and that he has continued these irresponsible attacks at the same time he is admitting that he cannot understand it.

"California's great problems have been solved in the past by a bi-partisan and responsible approach involving the contributions of men of good will in both parties. It is fortunate that Mr. Unruh's desperate desire for political advancement represents only his attitude and not that of the responsible members of his own party who have demonstrated a sincere willingness to help improve our creakingly archaic present system of taxation.

"We have already made very substantial progress in our continuing campaign to cut the cost of state government. Despite the fact that the governor and the legislature have effective control of only about a third of the total budget, we have managed to hold our new budget totals to a projected increase of less than 4 percent over our spending this year. We have done this despite increasing pressures caused by inflation and population increases. We have not stinted in necessary services. We have increased appropriations for higher education, the public schools and mental hygiene, and we seek major tax reductions. When it is realized that other major states such as New York, Illinois and Pennsylvania are experiencing budget increases in excess of 16 percent, you can see the measure of these fiscal achievements.

"But unless we can remove the causes of the taxpayers' rebellion by spreading the remaining burden of taxation more equitably, and guaranteeing the future quality of our schools, we will no longer be able to attract the job-producing capital we must have to take care of a population that is still estimated to increase at the rate of close to 400,000 new people each year. Thus the immediate adoption of major tax reform is by all odds the most vital and urgent issue that Californians have faced in at least the last generation."

# # # # #

TAX REFORM

GOVERNOR'S CABINET MEETING

December 9, 1969

TAX REFORM PRESENTATION
Department of Finance

AGENDA

1. Overview of Federal-State Revenue-Expenditure Patterns

2. Property Tax Reduction -- General Problems

3. Legislative-Executive Task Force Proposals

4. Legislative Resistance to Governor's Program

5. Suggested Modification of Governor's Program

6. Alternative Suggestions

7. Conclusion

TABLE 2

MAJOR TAXES IN CALIFORNIA

(In millions)

Type	1966-67		1967-68		1968-69	% of Total for 1968-69
Personal income and payroll:						
Federal	$ 9,690		$10,577		$13,080	
State	1,442		1,786		1,943	
Total	$11,132	46.0	$12,363	47.7	$15,023	49.7
Property:						
State	195		203		221	
Local	3,839		4,224		4,686	
Total	$ 4,034	16.7	$ 4,427	17.1	$ 4,907	16.2
Corporation income:						
Federal	3,648		3,084		3,956	
State	453		577		592	
Total	$ 4,101	16.9	$ 3,661	14.1	$ 4,548	15.0
General sales:						
State	1,191		1,465		1,652	
Local	339		372		394	
Total	$ 1,530	6.3	$ 1,837	7.1	$ 2,046	6.8
Selective sales:						
Federal	1,598		1,706		1,614	
State	1,002		1,087		1,170	
Total	$ 2,600	10.7	$ 2,798	10.7	$ 2,784	9.2
All other:						
Federal	385		381		391	
State	370		392		433	
Local	67		82		113	
Total	$ 822	3.4	$ 855	3.3	$ 937	3.1
Grand Total	$24,219		$25,936		$30,245	100.0

See footnotes, Table 1.

Source: Department of Finance

ESTIMATED TAX PAYMENTS AND INCIDENCE
CALIFORNIA PROPERTY TAX, SALES TAX, INCOME TAX
1969-70 FISCAL YEAR

Adjusted Gross Income		Avg.	Property Tax Amount	Property Tax % of Income	Sales & Use Tax Amount	Sales & Use Tax % of Income	Personal Income Tax Amount	Personal Income Tax % of Income	Total (3) Taxes Amount	Total (3) Taxes % of Income
Under	$2,000	$1,500	$167	11.1	$ 48	3.2	$--	--	$ 215	14.2
2,000	2,999	2,500	185	7.4	66	2.6	--	--	251	10.0
3,000	3,999	3,500	205	5.9	86	2.5	5	0.1	296	8.5
4,000	4,999	4,500	228	5.1	109	2.4	22	0.5	359	8.0
5,000	5,999	5,500	248	4.5	126	2.3	39	0.7	413	7.5
6,000	6,999	6,500	272	4.2	144	2.2	44	0.7	460	7.1
7,000	7,999	7,500	297	4.0	159	2.1	47	0.6	503	6.7
8,000	8,999	8,500	328	3.9	175	2.1	60	0.7	563	6.6
9,000	9,999	9,485	364	3.8	191	2.0	75	0.8	630	6.6
10,000	10,999	10,480	399	3.8	207	2.0	96	0.9	702	6.7
11,000	11,999	11,480	439	3.8	213	1.9	122	1.1	774	6.7
12,000	12,999	12,480	478	3.8	234	1.9	153	1.2	865	6.9
13,000	13,999	13,480	519	3.9	241	1.8	187	1.4	947	7.0
14,000	14,999	14,450	561	3.9	264	1.8	223	1.5	1,048	7.3
15,000	19,999	17,000	634	3.7	282	1.7	334	2.0	1,250	7.4
20,000	24,999	22,100	795	3.6	338	1.5	597	2.7	1,730	7.8
25,000	29,999	27,200	1,005	3.7	348	1.3	938	3.4	2,291	8.4
30,000	39,999	34,500	1,239	3.6	388	1.1	1,492	4.3	3,119	9.0
40,000	49,999	44,500	1,493	3.4	426	1.0	2,370	5.3	4,289	9.6
50,000	59,999	54,500	1,722	3.2	466	0.9	3,270	6.0	5,458	10.0
60,000	69,999	64,500	1,794	2.8	575	0.9	4,135	6.4	6,504	10.1
70,000	79,999	74,600	2,117	2.8	603	0.8	5,010	6.7	7,730	10.4
80,000	89,999	84,700	3,093	3.7	742	0.9	5,865	6.9	9,697	11.4
90,000	99,999	94,600	3,144	3.3	850	1.0	6,650	7.0	10,644	11.3
Over	100,000	$207,000	$3,465	1.7	$1,250	0.6	$16,060	7.8	$20,775	10.0

DISTRICT (1)	COUNTY (2)	1967-68 A.D.A. (3)	1967-68 CURRENT EXP. PER A.D.A. (4)	1967-68 DISTRICT TAX RATE (5)	1968-69 DISTRICT TAX RATE
Oro Madre Unif.	Amador	1,200	$ 741	$2.38	$2.6000
Chico Unif.	Butte	9,446	677	3.92	4.6760
Paradise Unif.	Butte	2,499	577	3.24	3.8890
Biggs Unif.	Butte	706	704	2.87	3.4200
Calaveras Unif.	Calaveras	2,089	712	2.72	2.9700
Colusa Unif.	Colusa	1,303	596	2.74	3.1950
Coalinga Unif.	Fresno	2,932	855	2.03	✓ 2.5971
Sanger Unif.	Fresno	6,239	549	2.15	3.4838
Princeton Unif.	Glenn	368	891	1.85	1.9290
Calexico Unif.	Imperial	3,936	529	3.06	3.5610
Mar Copa Unif.	Kern	443	1196	2.67	4.2960
Kelseyville Unif.	Lake	617	731	2.89	2.7900
Westwood	Lassen	516	601	3.78	3.3600
Beverly Hills	Los Angeles	5,514	1109	2.00	2.5725
West Covina	Los Angeles	14,174	550	4.00	4.9646
Madera Unif.	Madera	7,994	581	3.33	3.9896
Mariposa	Mariposa	1,125	770	2.87	2.8070
Anderson Valley	Mendocino	422	734	3.09	3.1400
Newman Gustine	Merced	2,495	642	2.81	3.6200
Modoc Tulelake	Modoc	1,999	758	3.30	3.1200
Plumas	Plumas	3,045	715	1.91	2.4300
Elk Grove	Sacramento	8,029	579	3.35	3.8710
Barrego Springs	San Diego	232	1563	3.31	2.7450
Escalon	San Joaquin	1,989	542	2.97	3.5780
San Luis Coastal	San Luis Obispo	7,251	705	4.01	4.5900
La Honda Pescadero	San Mateo	462	1050	4.44	3.1441
Gilroy	Santa Clara	4,739	658	4.22	4.5870
San Lorenzo	Santa Cruz	2,225	684	3.71	4.1950
Fall River	Shasta	1,461	732	2.74	3.3900
Dixon	Solano	1,867	621	2.65	3.4400
Cloverdale	Sonoma	1,375	560	3.42	3.8600
Patterson	Stanislaus	2,069	622	3.02	1.3300
Live Oak	Sutter	1,266	543	2.95	3.3700
Los Molinos	Tehama	570	672	2.65	2.5800
Lindsay	Tulare	2,106	591	3.18	3.7850
Fillmore	Ventura	2,568	664	3.55	4.2600
Esparto	Yolo	814	845	3.76	3.7850
Marysville	Yuba	9m313	528	3.05	3.7900

PERCENTAGE DISTRIBUTION OF SELECTED TAXES
AND OTHER DATA BY COUNTIES

Counties	Personal Income 1968	Total Population 7/1/68	Personal Income Taxes 1967 Income	Bradley-Burns Sales Tax Allocation 1968-69 F.Y.	Total Property Tax Levies 1968-69	A.D.A. 1968-69
Alameda	$5.99	5.35	$5.65	$5.98	$5.80	5.12
Alpine	*	*	*	*	*	*
Amador	.04	.06	.04	.04	.07	.05
Butte	.38	.52	.34	.45	.48	.49
Calaveras	.04	.07	.04	.04	.09	.06
Colusa	.08	.06	.08	.07	.10	.06
Contra Costa	2.46	2.81	3.11	2.22	3.69	3.18
Del Norte	.06	.08	.04	.07	.08	.08
El Dorado	.15	.22	.14	.17	.32	.22
Fresno	1.78	2.12	1.43	1.98	1.94	2.48
Glenn	.09	.11	.05	.07	.10	.10
Humboldt	.41	.51	.35	.45	.48	.56
Imperial	.36	.43	.25	.39	.38	.51
Inyo	.06	.08	.07	.08	.10	.08
Kern	1.45	1.71	1.07	1.54	1.88	2.00
Kings	.29	.36	.15	.23	.31	.36
Lake	.07	.10	.04	.07	.12	.07
Lassen	.07	.09	.04	.05	.06	.09
Los Angeles	39.03	35.60	41.91	39.48	35.98	32.91
Madera	.16	.23	.10	.16	.23	.21
Marin	1.15	1.03	1.73	.84	1.25	1.04
Mariposa	.03	.03	.02	.03	.03	.02
Mendocino	.20	.27	.11	.22	.25	.25
Merced	.40	.55	.26	.35	.48	.68
Modoc	.03	.04	.02	.03	.05	.04
Mono	.01	.02	.01	.03	.05	.02
Monterey	1.23	1.24	1.10	.97	1.10	1.20
Napa	.32	.40	.32	.33	.32	.38
Nevada	.09	.13	.07	.10	.11	.10
Orange	6.21	6.75	6.14	6.46	6.17	7.72
Placer	.29	.40	.22	.31	.41	.45
Plumas	.06	.06	.04	.04	.11	.06
Riverside	1.75	2.22	1.38	1.89	2.22	2.31
Sacramento	2.87	3.19	2.46	3.06	2.83	3.66
San Benito	.08	.09	.07	.06	.09	.09
San Bernardino	2.56	3.44	1.84	2.70	3.20	3.74
San Diego	5.92	6.68	4.79	5.62	4.87	6.56
San Francisco	5.68	3.67	6.39	5.80	4.85	2.19
San Joaquin	1.33	1.49	1.20	1.36	1.46	1.53
San Luis Obispo	.36	.50	.31	.36	.52	.46
San Mateo	3.57	2.79	4.59	3.12	3.43	2.76
Santa Barbara	1.23	1.31	1.30	1.17	1.33	1.34
Santa Clara	5.22	5.12	5.54	5.17	5.31	5.92
Santa Cruz	.54	.61	.54	.51	.59	.62
Shasta	.31	.41	.30	.38	.43	.48
Sierra	.01	.01	.01	.01	.01	.01
Siskiyou	.15	.18	.14	.14	.15	.18
Solano	.76	.90	.46	.62	.61	.90
Sonoma	.78	1.00	.71	.86	.90	1.06
Stanislaus	.81	.99	.69	.90	.79	1.10
Sutter	.18	.22	.16	.18	.22	.22
Tehama	.12	.15	.08	.11	.16	.15
Trinity	.03	.04	.03	.02	.03	.04
Tulare	.73	.98	.52	.72	.90	1.09
Tuolumne	.08	.10	.05	.08	.12	.09
Ventura	1.30	1.81	1.08	1.34	1.81	2.20
Yolo	.41	.43	.34	.39	.46	.40
Yuba	.23	.24	.08	.18	.17	.31
Total	100.00	100.00	100.00	100.00	100.00	100.00
Total of data	$76,581,000	19,551,000	$936,300,222	$393,599,998	$4,569,986	5,016,683

*Less than .005

10/6/69

TABLE 17

IMPACT OF THE HOMEOWNERS' EXEMPTION ON VARIOUS INCOME LEVELS.

			1969-70 Property Taxes (b)					
			Homeowners' Exemptions					
Adjusted Gross Income	Full Cash Value of Home	Gross Assessed Value (a)	No Exemptions	$750	$1,000	$1,500	$2,000	$2,500
$ 5,000	$ 13,700	$ 3,151	$ 329	$ 251	$ 225	$ 172	$ 120	$ 68
7,500	16,300	3,749	392	314	288	235	183	131
10,000	20,100	4,623	483	405	379	326	274	222
15,000	29,700	6,831	714	636	610	557	505	453
20,000	34,900	8,027	839	761	735	682	630	578
30,000	50,600	11,638	1,216	1,138	1,112	1,059	1,007	955
40,000	69,400	15,962	1,668	1,590	1,564	1,511	1,459	1,407
50,000	79,500	18,285	1,911	1,833	1,807	1,754	1,702	1,650
100,000	145,000	33,350	3,485	3,407	3,381	3,328	3,276	3,224

a) 23 percent assessment ratio
b) Assumed a $10.45 average tax rate

Table 18 shows that increasing the homeowners' exemption will make the property tax a progressive tax, if the exemption is increased to $2,000.

TABLE 18

PROPERTY TAXES AS A PERCENT OF AGI WITH HOMEOWNERS' EXEMPTION

	Property Taxes as Percent of AGI					
AGI Class	No Exemptions	$750	$1,000	$1,500	$2,000	$2,500
$ 5,000	6.6%	5.0%	4.5%	3.4%	2.4%	1.4%
7,500	5.2	4.2	3.8	3.1	2.4	1.7
10,000	4.8	4.0	3.8	3.3	2.7	2.2
15,000	4.8	4.2	4.1	3.7	3.4	3.0
20,000	4.2	3.8	3.7	3.4	3.2	2.9
30,000	4.1	3.8	3.7	3.5	3.4	3.2
40,000	4.2	4.0	3.9	3.8	3.6	3.5
50,000	3.8	3.7	3.6	3.5	3.4	3.3
100,000	3.5	3.4	3.4	3.3	3.3	3.2

TABLE 15

LONG TERM IMPACT OF THE HOMEOWNERS' EXEMPTION

1. Existing Law - $750 Exemption

	1968-69	1969-70	1970-71	1971-72
Full Cash Value of Home[a]	$20,000	$20,800	$21,630	$22,500
Assessed Value (23%)	4,600	4,784	4,975	5,175
Tax Rate	9.85	10.45	10.80	11.20
Gross Tax	$453	$500	$537	$580
Homeowners' Exemption	-70	-78	-81	-84
Net Tax	$383	$422	$456	$496

2. Proposal - $1,500 Exemption Starting in 1970-71

	1970-71	1971-72
Gross Tax	$537	$580
Homeowners' Exemption	-160	-166
Net Tax	$377	$414

(a) Assumes a price factor of four percent annually.

I. WELFARE COSTS, COUNTY FUNDS 1/

	1964-65	1965-66	1966-67	1967-68	1968-69 2/	1969-70 2/ (Budgeted)
Categorical Aid Payments 3/	$ 90,658,353	$105,952,039	$115,491,096	$128,183,705	$168,009,898	$199,655,649
General Relief	19,102,780	19,074,277	24,738,470	29,235,436	32,747,187	36,205,821
SUBTOTAL	$109,761,133	$125,026,316	$140,229,566	$157,419,141	$200,757,176	$235,861,470
Administration	57,800,616	52,781,489	62,783,944	67,990,975	84,281,636	98,818,941
SUBTOTAL	$167,561,749	$177,807,805	$203,013,510	$225,410,116	$285,038,812	$334,680,411
Other Aid	511,621	6,789,472	5,242,983	6,014,158	6,976,423	8,092,651
TOTAL	$168,073,370	$184,597,277	$208,256,493	$231,424,274	$292,015,235	$342,773,062

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II. OTHER RELATED COSTS, COUNTY FUNDS 2/

	1964-65	1965-66	1966-67	1967-68
Crippled Children's Service	$ 3,678,273	$ 4,592,022	$ 5,526,594	$ 5,267,565
Care of Court Wards	10,271,597	10,867,666	10,599,678	10,400,587
Health, Medical Assistance and Hospital Costs	214,947,459	219,160,290	228,761,402	245,915,530

1/ Includes City and County of San Francisco.

2/ Figures obtained from questionnaire sent to counties by Assembly Revenue and Taxation Committee; expenditures for counties that did not respond were estimated (18 counties).

3/ Categorical Aid Payments include aid to blind, aid to disabled, aid to families with dependent children (all categories), aid to aged and county general relief.

III. County Tax Rate Equivalents--County Welfare Costs

		Categorical & General Relief		Administration	
		68-9	69-70	68-9	69-70
1	Alameda	.46	.43	.27	.24
2	Alpine	.28	.26	.08	.05
3	Amador	.08	.11	.06	.09
4	Butte	.36	.40	.19	.27
5	Calaveras	.11	.10	.11	.09
6	Colusa	.16	.18	.07	.08
7	Contra Costa	.36	.40	.21	.30
8	Del Norte	.37	.40	.09	.52
9	El Dorado	.19	.22	.12	.13
10	Fresno	.57	.60	.09	.15
11	Glenn	.18	.18	.06	.13
12	Humboldt	.44	.43	.26	.31
13	Imperial	.45	.54	.16	.20
14	Inyo	.25	.27	.08	.08
15	Kern	.31	.43	.13	.20
16	Kings	.44	.44	.20	.23
17	Lake	.88	.94	.16	.17
18	Lassen	.40	.44	.16	.17
19	Los Angeles	.46	.52	.17	.15
20	Madera	.44	.54	.14	.17
21	Marin	.30	.31	.11	.15
22	Mariposa	.14	.15	.11	.15
23	Mendocino	.40	.43	.44	.56
24	Merced	.46	.48	.19	.28
25	Modoc	.19	.27	.04	.07
26	Mono	.05	.06	.04	.04
27	Monterey	.23	.26	.09	.15
28	Napa	.37	.39	.30	.31
29	Nevada	.25	.28	.12	.16
30	Orange	.11	.14	.03	.08
31	Placer	.41	.46	.31	.35
32	Plumas	.12	.12	.04	.07
33	Riverside	.32	.34	.10	.14
34	Sacramento	1.52	1.75	.19	.22
35	San Benito	.16	.20	.07	.06
36	San Bernardino	.50	.55	.15	.12
37	San Diego	.31	.31	.15	.21
38	San Francisco	.52	.59	.50	.57
39	San Joaquin	.51	.58	.25	.31
40	San Luis Obispo	.38	.35	.19	.24
41	San Mateo	.19	.21	.10	.10
42	Santa Barbara	.26	.31	.12	.15
43	Santa Clara	.31	.31	.15	.21
44	Santa Cruz	.26	.25	.15	.18
45	Shasta	.31	.34	.23	.25
46	Sierra	.12	.09	.09	.10
47	Siskiyou	.25	.25	.12	.21
48	Solano	.36	.38	.11	.19
49	Sonoma	.45	.52	.25	.24
50	Stanislaus	.59	.71	.29	.41
51	Sutter	.23	.25	.14	.16
52	Tehama	.25	.28	.16	.18
53	Trinity	.25	.31	.16	.14
54	Tulare	.54	.57	.17	.21
55	Tuolumne	.54	.52	.16	.16
56	Ventura	.16	.17	.04	.07
57	Yolo	.28	.30	.15	.16
58	Yuba	[illegible]	[illegible]	[illegible]	[illegible]

TABLE 22

COUNTY WELFARE COSTS BY COUNTY (In Thousands)

	1968-69[1]	1969-70[1]	CTRE 1969-70[2]
Alameda	$16,680	$18,993	$0.672
Alpine	23	27	.469
Amador	74	110	.194
Butte	1,431	1,784	.668
Calaveras	132	161	.224
Colusa	259	299	.374
Contra Costa	8,835	11,699	.697
Del Norte	178	383	.940
El Dorado	500	580	.309
Fresno	6,411	7,531	.746
Glenn	178	240	.306
Humboldt	1,694	1,980	.762
Imperial	1,158	1,482	.735
Inyo	353	410	.606
Kern	4,497	6,065	.593
Kings	1,051	1,176	.664
Lake	432	501	.564
Lassen	179	237	.680
Los Angeles	111,755	123,778	.665
Madera	849	1,118	.715
Marin	2,329	2,663	.454
Mariposa	59	77	.297
Mendocino	1,081	1,344	.994
Merced	1,610	2,028	.765
Modoc	73	105	.310
Mono	36	42	.093
Monterey	1,949	2,563	.411
Napa	949	1,101	.644
Nevada	282	407	.436
Orange	4,757	8,011	.226
Placer	829	1,008	.432
Plumas	144	165	.178
Riverside	4,702	5,866	.492
Sacramento	10,230	12,227	1.006
San Benito	161	180	.231
San Bernardino	9,645	10,548	.671
San Diego	11,290	13,670	.508
San Francisco	22,288	25,834	1.147
San Joaquin	5,183	6,402	.896
San Luis Obispo	1,464	1,607	.591
San Mateo	4,790	5,617	.309
Santa Barbara	2,478	3,124	.460
Santa Clara	11,316	14,204	.516
Santa Cruz	1,256	1,377	.430
Shasta	1,498	1,998	.753
Sierra	19	21	.198
Siskiyou	338	448	.458
Solano	1,670	2,352	.612

County Welfare Costs by County

	1968-69 1/	1969-70 1/	CTRE 1969-70 2/
Sonoma	$ 2,914	$ 3,406	$0.708
Stanislaus	3,133	4,241	1.119
Sutter	423	490	.312
Tehama	409	474	.486
Trinity	82	93	.453
Tulare	3,439	3,842	.776
Tuolumne	500	580	.722
Ventura	1,845	2,583	.248
Yolo	1,221	1,416	.576
Yuba	747	866	1.064
Total	$273,808	$321,534	

1/ Per questionnaire sent to counties.

2/ Projected.

GOVERNOR'S TAX REFORM PROGRAM
ASSEMBLY BILL 2049 AND
ASSEMBLY CONSTITUTIONAL AMENDMENT 70

Program	1970-71 Fiscal Year
Block Grants to Schools	
Basic rates of $400 - $725	$3,001.7
Cost of living increase @ 5%	300.1
	$3,301.8
Financing	
Estimated value of current State subvention to public schools	$1,473.0
Statewide non-residential property tax at $3.50 per $100 assessed value	874.9
Statewide agricultural property tax at $2.00 per $100 assessed value	91.5
Sales tax at 1 percent	454.6
Educational Opportunity Tax of 1/2 percent	353.0
Estimated savings in reimbursement to local government for homeowners property tax exemption resulting from lower taxes for schools	72.8
Double standard deduction limited only to renters	7.0
Estimated savings in payments of property tax relief for senior citizens from lower taxes for schools	(4.5)*
Estimated effect of higher income tax deductions for increase in sales tax	(-5.0)*
Estimated effect of lower income tax deductions for the reduction in school property tax	(23.0)*
	$3,326.8

* Effect second year after enactment.

7/14/69

TAX PROGRAM 1971-72

Sources of Revenue

Sales tax increase of 1 per cent	$480 million
Statewide property tax at $3.50 (excess revenue over needs to finance block grants of $400-725, plus cost-of-living increase)	200 million
Additional unspecified revenue source	110 million
Additional income tax and corporation tax in subsequent year from property tax credits less sales tax increase	10 million
	$800 million

Program Costs

Business inventory permanently at 30 per cent (45 per cent in 1971-72, 30 per cent thereafter)	$ 50 million
Credit or reimbursement for renters equivalent to $20 for single individual, $30 for married couples	80 million
Credit or reimbursement for homeowners equivalent to 25 per cent of property taxes paid in 1971 (about $140 per taxpayer)	437 million
State assumes local welfare categorical aid and mandate a reduction in county tax rates equivalent to this sum (tax relief to homeowners, landlords and business; tax relief to homeowners averages about $20 per taxpayer)	225 million
Open Space Reimbursement	8 million
	$800 million

Taxes 3/70

POINTS AGAINST PROPOSITION 8
The Billion Dollar Tax Increase Initiative

This measure is a billion dollar tax increase. Although its welfare and education lobby sponsors falsely advertise it as property tax relief, the facts are quite different than the propaganda. There is no net tax reduction and no tax relief for renters. But there are guarantees that welfare and school costs will increase. Proposition 8 would force a total initial tax increase of $1.13 billion! This is equivalent to virtually doubling state income taxes or increasing the sales tax by three cents. Since it also has built-in provisions for yearly spending increases, Proposition 8 should properly be labeled the "Guaranteed Annual Tax Increase."

Don't Let Tricky Wording Fool You

Proposition 8 is Not a realistic effort to achieve meaningful tax reform or to provide a broader-based or more equitable method of financing public schools. Nor does it do anything to reduce the soaring costs of welfare which have become such a heavy tax burden on the people of California. Rich school districts would get richer and Proposition 8 would do little for the poor districts. School boards would be pressured by this measure to keep property taxes at a maximum to get a maximum of increased state support. Proposition 8 would just force the already overburdened taxpaying citizens to pay another $1.13 billion in increased taxes.

Realistic tax reform cannot be achieved by merely mandating additional spending. Nor will the problem of providing additional school financing ever be solved by simply transferring the burden from one level of government to another.

Don't Give School Administrators a Blank Check

Under this measure, the state would be forced to pay half of all school costs with absolutely no guarantee of any spending limit! The Legislature would be forced to act on school funding by April or May even though school boards do not usually adopt budgets until August. In April or May, there would be no way of knowing how much additional school financing the State would be required to provide. No matter what the fiscal condition of the state, Proposition 8 would mandate this spending and it specifically would not permit any legislative action to reduce your property taxes or remove any property taxing authority by school districts. This would give education a blank check! The only way taxes could go is up!

Dont Send Welfare Costs Soaring!

The same is true on welfare costs. This measure mandates 90% of welfare costs to the State, with no guaranteed controls on expenditures. But the measure does not require counties to pass this tax reduction on to the citizens through property tax reductions. State funding on all new welfare would be frozen into the State Constitution. In effect, this would be the equivalent of giving welfare an unlimited credit card--and every taxpayer in the state would help pick up the tab for this increased welfare spending.

This is not the way to achieve the cost controls so necessary to bring government costs under control.

Don't Double Your Taxes! Don't let double-talk fool you.

Vote "No" on Proposition 8!

PROPERTY TAX REDUCTION
PROPOSED BY GOVERNOR RONALD REAGAN
COMPARED WITH
CALIFORNIA TEACHERS ASSOCIATION INITIATIVES

Market Value Of Home	Governor's Program for Tax Reform in 1970	California Teachers Association Initiative
$ 5,000	- $ 31	- 28
20,000	- 112	- 57
50,000	- 275	- 114
100,000	- 548	- 210
Renter	$50 tax credit	$0

TAX PLAN A MILESTONE

Governor's tax reform plan termed 'too good' by Democrats

--see Page 3

Speaking Out on the ISSUES

Published by the Republican State Central Committee of California

No. 6 March, 1970

party urges improvement of of schools-- not busing-- in reply to court

California Republicans put themselves squarely on the record in favor of upgrading the quality of education in the state and against mandatory busing of students to achieve numerical integration at the party's recent spring convention. At the same time they endorsed a resolution calling for improvement of education to give all students "the opportunity for an equal and quality education."

The delegates pointed out that the large amounts of money needed to bus students could be used more effectively in improving the educational process and quality of teaching. The adopted two strongly worded resolutions that put the Republican party strongly on record in favor of better education rather than numerical distribution of students by racial background.

The first resolution emphasized that the neighborhood school concept "best serves the educational needs of our citizens" and that "huge sums proposed to be expended in crosstown busing of pupils for purposes of integration can better be spent in the improvement of our educational facilities and quality of teaching." It emphasized the delegates' opposition to the concept of mandatory busing and urged legislation to strengthen the neighborhood school concept.

The committee then adopted a resolution from the floor authored by Mrs. Geraldine Rickman, a member from San Diego, which urged the appropriation of "adequate funds for the development of alternatives in education that will assure all students of this state the opportunity for an equal and quality education." The motion concluded with a declaration of support for the laws of the nation.

The action by the general session of the Republican State Central Committee March 1 in San Francisco is the first by a state political organization since the declaration by a judge recently that students in the huge Los Angeles school district must be distributed to achieve racial balance among student populations.

At the same session the delegates asked the state and federal attorney generals to investigate the riots near UC at Santa Barbara and determine if they "were part of an organized conspiracy or were otherwise premeditated and, if so, to see that the appropriate prosecutions are undertaken." They officialy deplored the rioting and destruction and lauded Governor Reagan for his firm action taken to quell. the riots.

Double-Jointed Jesse -- all talk

Double-Jointed Jesse, the Democrat's faint hope for glory, knows that talk is cheap. . . as long as you don't act according to what you say.

Unruh sounded like a tough proponent of campus law and order during the recent riots in Santa Barbara. But Double-Jointed Jesse's words don't often parallel his actions. In this case his tough talk on campus disorders is in direct contrast to his actions in the Legislature.

Last year when Republicans succeeded in enacting tough laws aimed at cutting campus violence, Unruh avoided voting on the bills. When Assemblyman Frank Murphy's bill (AB534) to keep suspended persons off campus came up for a vote Unruh was granted additional time to debate the bill, then failed to vote either for or against it. His non-record on campus violence extends to at least two other tough bills (SB 1382 and AB 1022) where he was present but declined to vote. The bills all were enacted, thanks to Republican votes.

But if everyone had followed Double-Jointed Jesse's lead there would have been a lot of talk. . .and no action on campus violence bills in the Legislature last year.

no place to park 5 cars

"I sort of like the old mansion myself," said Democrat Jess Unruh when reporters recently asked him if he'd mind living in the old Governor's Mansion in Sacramento.

But he's got a problem. Said Unruh: "my wife said under no circumstances would she live in there. . .she said our five kids wouldn't have a place to park their cars."

Poor Jess. But we suspect that the voters will save him from that dilemma next November. . .

Demos more than double GOP spending

Even in the housekeeping operations of the Legislature the extravagent Democrats–extravagent with somebody else's money, that is–far outdo the economy-minded Republicans.

Democrats rang up a bill of $244,807 for caucus and related staff spending in the Senate and Assembly in 1969. Frugal Republicans, on the other hand, managed to keep spending for their caucus and majority staff down to $109,580.

An interesting sidelight of the total levy is the bill run up by the Assembly Democrats under their minority leader Jess Unruh. They spent more than half of the total by all the Legislature–$184,843–on staff salaries alone! Republicans wonder why Mr. Unruh's state paid staff was so large in relation to the other groups (the Republican Assembly staff spent less than half the amount poured out by lower house Democrats). Did they spend all their time on Assembly business?

massive union funds set to counter GOP volunteers

Big money–at least $850,000–will be poured into the Democrats' voter registration effort this year.

That's the promise of the nation's union leaders. At a recent high-level AFL-CIO conference in Florida the union overlords agreed to spend that much on voter registration this year. The amount is 70 percent greater than the $500,000 they were reported ready to spend just a few months back.

Question: what do union members think about this one-sided political effort by their supposedly non-partisan leaders? While the unions officially are engaged in non-partisan efforts, their support has always been overwhelmingly for the Democratic party.

Thus it looks like registration drives in 1970 will be a match between the highly-successful all volunteer efforts of the Republican party (our spring registration drive climaxes March 7 - 14) and the well-paid union juggernau for the Democrats.

public aid--huge cost increase

How high the cost of public assistance?

Very high.

In the last four years medical payments have risen from $151 million tc their present $453 million, an increase of 198 percent! And when medica payments are combined with welfare costs the total bill rises to $1.1 billion up 16 percent in just one year!

Governor Reagan has managed to keep his budgets balanced and curbed despite these rapid increases in public assistance, programs over which he ha no control.

tax plan a milestone

low, middle income groups gain the most

Said one prominent Democratic lawmaker after being briefed on Governor Reagan's tax reform proposal: "It has one major flaw. It's too good."

From that Democrat's viewpoint that may be a flaw, but from the viewpoint of the majority of California's taxpayers, the broad program to alleviate unequal tax burdens on many millions of Californians the Governor's program is just fine.

As the Governor said in unveiling it "Our total fair share tax reform package provides substantial and guaranteed relief to the beleagured homeowner; it shifts certain taxes in an equitable manner, it is fair to the homeowner and the renter and it is fair to business and agriculture; it will close loop-holes; it will improve the method of financing our public schools, and it will help to stimulate our economy and preserve our open spaces."

The major aspects of the program include:

–Reduction of homeowners. property taxes by increasing their exemption to $1,000 plus 20% of the remainder of the value of the house–resulting in an average reduction of $200 in the tax bill on a $20,000 home.

–A $50 reduction in income taxes for renters–to correspond to the homeowners' reduction.

–State paying 70% of all welfare costs after the first 25 cents (which will be paid by the counties)–to ease the high welfare cost borne by counties.

–Inventory tax reduced by 50%–to stimulate business.

–Open space lands, with their reduced tax levels, would be mandated to the counties and replacement revenues would be provided for the counties–to help preserve California's open areas.

–Schools would receive more equitable support by establishment of an equilization fund into which the first $2.05 of existing school taxes would be placed and distributed evenly among all school children–to help financially-distressed school districts without levying new taxes.

continued on page 4

$ $ Stretcher!

How far did Governor Reagan stretch the taxpayer's dollars in his new budget?

Consider these facts, pointed out by Senator Gordon Cologne:

(1) inflation ups the continuing cost of government by 4½ percent per year.

(2) California's population grows at 3½ percent a year.

Yet Governor Reagan's 1970 budget proposes a reduction of .6 percent from the budget finally authorized in 1969. The Governor and his financial experts have managed to stretch the dollars far enough to absorb the 8 per cent built-in increase in the budget plus the rapid increases in welfare and medical costs that jump far beyond the normal rate of increase, and are not under the Governor's control.

That's fiscal responsibility!

how tax reform affects you

Aimed directly at the average homeowner, Governor Reagan's tax reform program will provide major reductions in the total tax bill of most middle and lower income Californians. The following chart demonstrates the final impact of the package on various income and family levels. It accounts for all tax reductions and increases for the average family grouping.

TOTAL NET CHANGE

Income (without Capital Gains)	Married Couple (2 children)		Single Person	
	Homeowner	Renter	Homeowner	Renter
$ 3,500	—	16	−51	10
5,000	−54	22	−52	−20
7,500	−59	27	−61	−23
10,000	−68	−5	−69	−17
12,500	−82	−4	−65	−11
15,000	−90	2	−102	−7
17,500	−106	3	−113	−5
20,000	−117	8	−121	3
25,000	−151	14	−80	88
50,000	−81	208	193	507
75,000	299	678	538	947
100,000	575	1,154	789	1,412

state earns $350 million: Mrs. Priest

State Treasurer Ivy Baker Priest, the first woman to hold a statewide office, reports that her office has earned more than one-quarter billion dollars since she took office.

"By the end of my full term," Mrs. Priest reports, "our investment program will have realized a return of more than $350 million in interest for the four-year period. This is the highest figure in history for any state of the nation."

Under Mrs. Priest's administration, the State Treasurer's office earned almost $100 million last year alone for the state through its diversified investment program. This is almost double the highest amount earned by the previous Democratic administration just three years ago.

Mrs. Priest, who has become an unofficial "Mrs. California Republican" during her three years in office, brought a broad experience in financial affairs to the post. She served as Treasurer of the United States for eight years under the last President Eisenhower.

Mrs. Priest has announced that she will be a candidate for reelection. In her formal announcement she cited a series of efficiency moves made during her administration of the Treasurer's office which contributed to the increased revenue flow to the state's coffers. In addition to the broader investment program they include such modern accounting methods as changing from first to third generation data processing equipment and improved cost-control practices. Simplified reporting procedures have made the workings of the office more accessible to the public.

balanced plan to increase revenues asked in Governor's tax program

Continued from page 3

–Limits would be placed on county and school district tax rates to prevent their drastic increase without direct voter approval.

Revenues necessary to pay for the tax reductions would be raised in the following manner:

–Sales tax would increase one cent.
–Bank and corporation tax would increase one-half percent.
–Oil depletion exemptions would be reduced, increasing income taxes for owners of such property.
–Capital gains tax rates would be adjusted to reduce the deduction on short-term holdings.
–Income tax withholding would be initiated on a graduated scale.
–Two new income tax brackets would be initiated, increasing taxes on joint returns of more than $32,000 per year.
–Minimum income tax would be established to close some of the present loopholes which allow some persons to escape paying state income taxes.

The Governor's tax reform program, developed in close coordination with legislative leaders and other prominent tax experts such as Controller Houston Flournoy, has received wide support from many areas.

WANT EXTRA COPIES?

"Speaking Out on the ISSUES" is published monthly by the Republican State Central Committee of California. Dennis E. Carpenter, chairman. Glenn Pope, research director. Al Donner, public information officer. Additional copies are available to Republican organizations at cost through the Newport Beach office. Rates, including delivery are: $1 for 50 copies; $1.50 for 100; $4 per 500; $7.50 per 1,000 and $65 per 10,000.

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Tax Reform

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State of California

Memorandum

To : Senior Staff
Cabinet

Date : March 24, 1970

Subject : Proposition 8

From : Jerry Martin

Attached is the official argument against Proposition 8 that will be in the ballot booklets. Notice that it is co-signed by the President of the League of Women Voters and the California Taxpayers Association.

JM:ln

A Negative or "Con" Argument on
Initiative Constitutional Amendment, Proposition No. 8

The welfare and education lobby in this proposition proposes an instant $1.13 billion tax increase with guaranteed annual increases thereafter. The source of this $1.13 billion is not stated but it must come from additional state taxes. This could double income taxes, or increase sales taxes to from six to 10 cents. Property taxes will not decrease.

The welfare-school spending measure constitutionally prevents the Legislature from lowering property taxes but requires increases of unspecified taxes. There are no cost controls but there are provisions for cost increases.

The measure further places a major part of the state budget in the hands of 1,144 school boards and out of control of the Legislature. School budgets adopted each August will determine how much of the money appropriated the preceding April or May is to be spent. No proof of need is necessary. Education and welfare claims will have Constitutional priorities over all others.

Of education funds, 85% goes for salaries. School boards will be pressured for major salary increases. If one of the wealthier boards grants increases, others can be expected to follow in order to "compete." The state must pay half.

The measure will make the rich school districts richer and do little for the poor. All existing school tax loopholes and inequities will be frozen into the Constitution. There now are 44 ways school boards may and do bypass the $1.90 maximum tax rate This measure says none may be removed legislatively.

It is poor budgetary policy to freeze into the Constitution any funding because needs increase and decrease. This measure assumes that education needs will never change.

On welfare, too, the measure mandates 90% of welfare costs to the state with no expenditure controls. This is equivalent to giving welfare an unlimited credit card backed by the State Treasury.

Since this measure requires legislative funding of all new county programs, it will require the state to take full control of programs dealing with pollution, drug abuse, health services and law enforcement. This will result in many local decisions being taken away from locally elected officials and placed in the hands of Sacramento administrators.

This is not tax relief by any definition. It is a guarantee of continued property taxation and of higher income and sales taxes, probably including a tax on food purchases. It is a guarantee that the school and welfare spenders can determine needs and then hand the bill to the taxpayer.

Don't double your taxes. Vote NO on Proposition 8.

Robert C. Brown
Executive Vice President
California Taxpayers' Association

Mrs. Edward Rudin, President
League of Women Voters of
California

TAX PROGRAM

	Estimated Fiscal Impact (In Millions)			
Property Tax Relief	1970-71	1971-72	1972-73	1973-74
1. Homeowner's exemption $1,000 plus 20% for single family residences; $1,500 for multiples, coops, condominiums	$388	$422	$461	$502
2. Renter relief, $50 per person	85	88	90	92
3. Increased exemption for business inventories, 50% starting 1-1-71	-36*	95	137	146
4. Welfare, Medi-Cal property tax relief	143	167	194	225
5. Open space program	8	13	15	17
6. Increased exemption for senior citizens	-	7	9	11
Totals	$588	$792	$906	$993
Financing				
1. Sales tax increase of $.01 on 8-1-70	$422	$492	$525	$560
Exemption for existing contracts	-12	-2	-	-
2. Bank and Corporation tax increase 1/2% beginning 7-1-72	-	11	45	50
3. Limit oil depletion to 5 times cost	22	16	17	18
4. Income tax change				
Withholding	625	240	175	180
Forgiveness at 40%	-460	-20	-	-
Conversion to cash basis	-60	-	-	-
Rate increase 11% 1-1-72; 12% 1-1-73	-	15	60	96
Capital gains change 1-1-70	20	23	26	30
5. Selective conformity to Federal tax reform	14	14	18	23
6. Savings from interaction	18	26	23	32
7. Interest saving from withholding	4	9	10	11
Totals	$593	$824	$899	$1,000
Administrative Cost offset	-4	-7	-6	-6
Net	$589	$817	$893	$994

* Includes transfer of balance (estimated at $39 million) in the Property Tax Relief Fund to the General Fund.

1. Program includes statewide property tax for schools which equalizes first $2.05 of existing school property taxes.

2. Expenditure control program includes expenditure limitations for school districts and counties. Requires permissive overrides for cities to be subject to referendum.

3. To increase the visibility of the state-financed homeowner exemption, the existing exemption ($750) and the increased exemption would be computed as a reduction in net tax on the face of each tax bill.

4. Proposed program will also affect the General Fund free surplus when withholding is adopted, accrual of personal income tax revenue will be discontinued with a resultant decrease of $60 million in budgeted income tax revenues and in the Reserve for Working Capital. The sales tax rate increase will add $60 to the estimated accrual of sales tax revenue necessitating an increase of that amount in the Reserve for Working Capital completely offsetting the effect of change due to withholding.