



GEORGE BAILEY
SUPERVISOR, SECOND DISTRICT
VICE CHAIRMAN

December 7, 1987

Mr. Larry Naake
Executive Director
County Supervisors Association of California
1100 K Street, Suite 101
Sacramento, CA 95814

Dear *Larry*:

Enclosed is an article I am submitting for your consideration to include in the CSAC Journal, "California County." The equity issue is one affecting many California Counties and I would appreciate your favorable consideration of this request.

Sincerely,

George
George Bailey
Supervisor
Second District

GB:DJ:jb

Attachment



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SUPERVISOR, SECOND DISTRICT
VICE CHAIRMAN

INEQUITY IN STATE ALLOCATIONS TO COUNTIES

Inequities in the state's allocations are devastating counties and the people they serve. At the same time, the state's methods of allocating funds to the counties are penalizing fiscal restraint and rewarding high spending. The time has come for the state to end inequitable treatment of the counties.

PROPERTY TAX ALLOCATIONS ARE INEQUITABLE

Under the AB 8 system for allocating property tax revenues,¹ property tax revenue allocations to counties, cities, special districts, and school districts are based on each entity's tax levies prior to Proposition 13. Under AB 8, local entities which had high tax rates were rewarded with a high share of the 1% property tax revenues. For nearly a decade, AB 8 has penalized low-taxing counties for their fiscal restraint prior to Proposition 13.

San Diego County is one of the counties which had a low tax levy prior to Proposition 13. As a result of that low levy, AB 8 allocated to the schools in the county a very high share of the local property tax revenues, compared to the state average.

But AB 8 also allowed the state to take advantage of this high share allocated to schools. AB 8 provides that the state

¹ Revenue and Taxation Code sections 95 et seq.

must pay to the schools the difference between their property tax revenues and their "revenue limits." Because schools in San Diego County are heavily funded by local property tax revenues, they receive far less state money than they would if their property tax revenue allocations were ordinary.

Other "underequity counties" are similarly required by AB 8 to allocate a high share of property tax revenues to schools. In this manner these counties simply have less property tax revenues remaining to share with cities and special districts.²

Under this scheme, San Diego County gets only about two-thirds as many dollars per capita from its property taxes as the state average. Butte County receives only 53% of the state average, while San Benito receives 60% and Stanislaus gets 56%.³ Table 1 presents the share of property tax revenues allocated to schools in the "underequity counties" in fiscal year 1985-86. Also shown in Table 1 is the additional amount which those counties would have received from their property tax revenues if the schools received only the ordinary share of property tax revenues.

These inequities are a primary cause of the fiscal crisis of

² Under AB 8, after schools are allocated their share of the property tax revenues, the county and cities and special districts in the county share the remaining funds based on their proportional shares prior to Proposition 13. Thus in counties which must allocate a high share of property tax revenues to schools, the aggregate of property tax revenues available for services to county residents from the county, cities and special districts is unfairly low.

³ All data calculated from Board of Equalization Annual Report, and Department of Finance population data.

many counties. San Diego County desperately needs tens of millions of dollars for construction of new jails, not to mention the hundreds of millions needed to operate them. San Diego County would have received an additional \$57 million in property tax revenues in FY1985-86 alone if the state paid schools in the county an amount based on fair allocation of the property tax revenues to schools. To smaller counties, the amounts they should receive would have enormous impact on their ability to survive: Butte would have received an additional \$5.3 million in 1985-86, while San Benito and Stanislaus would have received \$1.2 and \$13.0 million, respectively.

In a pending lawsuit,⁴ the County of San Diego is seeking a reallocation of the AB 8 property tax revenues to the county based on these inequities. Judicial resolution will require much time and money. The Legislature should not wait to be ordered to act fairly. The Legislature should correct existing inequities as it designs remedies for the counties' fiscal plight.

STATE SUBVENTIONS ARE INEQUITABLE

In addition to the inequitable distribution of the one-percent property tax, the state's subvention of funds to the counties in many programs is inequitable and calamitous. Subventions do not relate to needs of the counties. They are not determined equitably according to population or any other fair criteria. The state is rewarding historically-high spending, and

⁴ County of San Diego, et al. v. Kenneth Cory, et al., San Diego County Superior Court No. 578681, filed December 17, 1986.

is penalizing the "have-nots."

The state's subventions for mental health, alcohol and drug programs exemplify these inequities. For fiscal year 1986-87, San Diego County received approximately two-thirds of the state average in allocations per capita for those programs from the state, while San Francisco received over 200%! Orange and Nevada Counties received 69% of the state average, while Marin County received 156%.

These differences in the allocations are not based on any objective determination that some counties have greater needs than others. Rather, the allocations have just built on themselves, perpetuating the inequity on the one hand, and on the other hand permitting little or no room for adjustment even for extraordinary population growth.

THE STATE MUST PROGRESS TOWARD EQUITY

The Legislature can easily cure the inequities in the property tax revenue allocations and in its other allocations. To establish equitable allocation of property tax revenues, the Legislature should make the share of property tax revenues allocated to school districts equal among all counties, or else provide additional funds to the underequity counties. The relative shares of the county, the cities and special districts would best be determined locally, but might also be fairly allocated under a population-based formula. After counties receive a fair share of the property tax revenues, those counties which still have unusually low revenues or high special needs

State Average.....37

1. State Board of Equalization Annual Report.
2. Calculated from FY1985-86 shares of property tax revenues and 36.9% average school share.

