Proposition 13: A Short Primer
What Did Prop 13 Do?

• Passed by a large majority of voters in 1978.
• Reduced tax revenues: cut property taxes from about 2.6% of marked value to 1% of 1975 market value
• Prohibited new *ad valorem* taxes
• But most importantly, it shifted the state financing structure from local to state control
What Difference Did It Make?

• Shifted funding from local governments—cities, counties, schools, community colleges, special districts—to the state
Why Is the Funding Shift Significant?

- UC now competes with local governments, schools, and state agencies—prison/justice, mental health, social services, health and welfare, parks and recreation, etc.
- Less money in general fund to pay for all of these services
- An increasingly smaller pie, but with more entities wanting a slice of it.
Percentage of Total Revenues That Are Self-Controlled

<table>
<thead>
<tr>
<th></th>
<th>1978</th>
<th>1995</th>
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</thead>
<tbody>
<tr>
<td>Counties</td>
<td>50</td>
<td>20</td>
</tr>
<tr>
<td>Cities</td>
<td>66</td>
<td>43</td>
</tr>
<tr>
<td>Special Districts</td>
<td>59</td>
<td>38</td>
</tr>
<tr>
<td>School Districts</td>
<td>54</td>
<td>6</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>30</td>
<td>24</td>
</tr>
</tbody>
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Source: PPIC
• Greater reliance on general fund revenues, which are quite volatile
  – 57% of general fund revenues come from income tax
California’s Property Tax Has Been More Stable Than General Fund Tax Revenues

(Percent Change)

General Fund Taxes
Property Taxes
Other Relevant Measures

• Proposition 98 (1988) guaranteed about 42% of state general fund revenues to K-12 and community colleges.

• Proposition 62 (1986) and Proposition 218 in 1996 further diminished taxing authority at the local level.
CA Political Culture

• PPIC polls show a desire for public services, but no desire to pay for them
  – High expectations for access to college