REFUND OF TAXES, LICENSES, AND OTHER FEES

Item 76 from the General Fund Budget p. 147

Requested 1975–76	$30,000
Estimated 1974–75	30,000
Actual 1973–74	9,782
Requested increase None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides a source from which expeditious refunds can be made for erroneous payments or overpayment of taxes, licenses, and other fees which are noncontroversial, thereby avoiding the necessity of filing claims with the Board of Control and inserting items in the Claims Bill.

CALIFORNIA INFORMATION SYSTEMS IMPLEMENTATION COMMITTEE

Item 77 from the General Fund Budget p. 148

Requested 1975–76	$32,031
Estimated 1974–75	30,987
Actual 1973–74	—
Requested increase $1,044 (3.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Information Systems Implementation Committee is a statutory body comprised of 12 designated members of the Legislature and the executive branch. It is responsible for recommending specific legislative and executive actions necessary to implement the state's electronic data processing (EDP) policies. These policies are set forth in Government Code Chapter 7 (commencing with Section 11700), and Chapter 8 (commencing with Section 11775).

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The $32,031 requested for the 1975–76 fiscal year will provide one consultant for the committee and associated operating expenses. The consultant will provide general assistance to the committee in its efforts to make recommendations for improving the effectiveness of EDP, and help prepare the committee's reports to the Governor and the Legislature which are due by February 1 of each year.

The primary activity of the committee during the current year has been to review statewide data communications and accept testimony from a number of public utilities and state agencies skilled in providing data communication services.

EMPLOYER-EMPLOYEE RELATIONS

Item 78 from the General Fund Budget p. 149

Requested 1975–76	$225,000
Estimated 1974–75	None
Requested increase $225,000	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item supports the Employer-Employee Relations Unit which administers the "meet and confer" process prescribed by the George Brown Act. The unit is staffed with the equivalent of approximately four man-years. Prior to the budget year, it was located within the Agriculture and Services Agency.

Collective bargaining legislation could substantially change the functions of this unit. We will outline these potential changes in a report on collective bargaining currently in preparation.

SENIOR CITIZENS' PROPERTY TAX ASSISTANCE

Item 79 from the General Fund Budget p. 150

Requested 1975–76	$54,700,000
Estimated 1974–75	49,900,000
Actual 1973–74	60,733,792
Requested increase $4,800,000 (9.6 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. *Inflation Adjustment.* Recommend legislation providing annual cost-of living increases in property tax assistance.	128

GENERAL PROGRAM STATEMENT

This program reimburses homeowners over age 62 a percentage of property taxes paid according to a fixed statutory schedule. The percentage of assistance ranges from 96 percent to 4 percent depending on incomes below the $10,000 maximum.

Table 1 shows by selected ranges of income, the distribution of claimants and average levels of assistance provided by this program in 1974–75.

Table 1
Senior Citizens' Property Tax Assistance [a]

Household income 1974–75	*Number of claimants*	*Average per claimant* — *Home value*	*Property taxes*	*Tax assistance*	*Net taxes*	*Percent of assistance*
$0–$2,000	13,914	$18,235	$299	$282	$17	94%
2– 4,000	89,068	18,675	311	256	55	82
4– 6,000	93,633	19,850	343	175	168	51
6– 8,000	71,854	21,360	384	74	310	19
8–10,000	38,701	23,125	432	27	405	6
Totals	307,170	$20,220	$353	$161	$192	45.6%
Prior Years						
1973–74 Total	302,159	$20,000	$429	$201	$228	46.9%
1972–73 Total	291,928	17,660	418	201	217	48.1

[a] Assistance paid in 1974–75 was computed on taxes paid in 1973–74 and 1973 incomes.

Table 1 shows that the average level of assistance fell from $201 to $161 in 1974–75, a decrease of $40. This decline occurred for three reasons:

1. Homeowners' exemption was increased from $750 to $1,750 which decreased average taxes by $52 and assistance by $24.
2. Homeowners' property tax rate decreased from $11.84 in 1972–73 to $11.34 in 1973–74 which decreased average property taxes by $24 and assistance by $11.00.
3. Household income increased from $5,140 to $5,211, thereby decreasing the average assistance level from 46.9 percent to 45.6 percent which decreased average assistance amounts by $5.00.

Household income grew only slightly in 1974–75 even though social security incomes were increased by 20 percent in 1973. Growth in the income average was pulled down by the lower incomes of approximately 25,000 public assistance recipient homeowners who were added to this program by Chapter 1216, Statutes of 1973.

ANALYSIS AND RECOMMENDATIONS

The estimates made by the Department of Finance upon which the budget request is based are shown in Table 2.

Table 2
Senior Citizens' Property Tax Assistance
Budget Estimates for 1975–76

	Estimated 1974–75	*Budget estimates 1975–76*
Number of claimants	310,000	310,000
Average incomes	$5,211	$5,347
Average assessed value	4,497	4,956
Property tax rate	11.34	11.54
Average property tax paid	353	412
Assistance as percent of tax	45.6%	42.5%
Assistance per claimant	$161	$175
Total program cost (thousands)	$49,900	$54,700

The Department of Finance estimates no change in the number of claimants in 1975–76. The increase in program costs from $49.9 million to $54.7 million is due to two factors: (1) an estimated growth in assessed value of 10.1 percent which is the same as the increase reported for all property in California in 1974–75, and (2) a property tax rate of $11.54

which is the 1974–75 homeowners' property tax rate, and is 20 cents above the prior year rate.

Decreasing Number of Claimants

There were 285,000 regular homeowners filing for assistance in 1974–75 which represents a decline of 17,000 claims from the 302,000 claims filed in 1973–74. This decline was fully offset, however, by the 25,000 public assistance homeowners who filed for the first time in 1974–75. Further declines are expected in 1975–76 but should be fully offset by additional welfare recipients who were eligible but failed to file in 1974–75. We believe there are two primary reasons the program population is declining.

1. As incomes rise above $10,000, homeowners are no longer eligible for assistance. Table 1 shows that there were 38,700 claimants in 1974–75 who had incomes between $8,000 and $10,000. These homeowners have higher incomes which tend to grow as the general price level rises. Consequently, many of these claimants will receive incomes in excess of $10,000 in 1974 or 1975 and will no longer be eligible for assistance.

2. An unknown but growing number of senior citizens are selling their homes and choosing to live in more economical and convenient mobilehomes which are not subject to property taxes.

Legislation Recommended

We recommend legislation be enacted to provide that the schedule of assistance be annually adjusted to reflect changes in the cost-of-living.

Senior Citizens' Property Tax Assistance is based upon two factors—property taxes and incomes. As property taxes increase, assistance increases proportionately. But as incomes increase the level of assistance declines even though there may have been no change in the homeowners' "real" income, i.e., purchasing power of money incomes. Total program expenditures also decline (in real terms) relative to all other state programs, to the extent that other state programs are periodically adjusted for price level changes.

As prices and incomes reflecting such price changes increase, program expenditures decline. The number of claimants also will decrease as money incomes reach the $10,000 ceiling. We estimate that actual program expenditures decrease by $3.5 million for every 5 percent increase in average money incomes of claimants. By adjusting the schedule annually for the prior year change in the Consumer Price Index, parity between this program and other state programs will be maintained and the present value of tax assistance will not decline.

We estimate that adjusting the schedule of assistance to reflect the change in the California Consumer Price Index during the 1974 income year will increase 1975–76 General Fund costs by $8 million. This estimate is based upon the present distribution of incomes of existing senior citizen claimants and a 1974 change in the Consumer Price Index of 10.6 percent.

PERSONAL PROPERTY TAX RELIEF

Item 80 from the General Fund Budget p. 150

Requested 1975–76	$334,500,000
Estimated 1974–75	294,700,000
Actual 1973–74	221,538,224
Requested increase $39,800,000 (13.5 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item reimburses local government for property tax losses resulting from exempting 50 percent of the assessed value of business inventories and the special assessment of motion picture films, livestock, and wine and brandy. Table 1 summarizes 1973–74 and 1974–75 expenditures and shows the estimates for 1975–76 upon which the budget amount is based.

Table 1
Personal Property Tax Relief

	1973–74	*1974–75*	*1975–76*	*Budget Change*
Business inventories assessed value (in millions)	$4,274	$5,194	$5,869	13.0%
Exemption	45%	50%	50%	–
Exempt assessed value (in millions)	$1,923	$2,597	$2,935	13.0
Property tax rate	11.32	11.14	11.21	.6
State reimbursement (in millions)	$217.7	$289.4	$329.1	13.7%
Special reimbursements for movies, wine and livestock	3.8	5.3	4.9	–
Chapter 1441, Statutes of 1974			.5	
Total, personal property tax relief	$221.5	$294.7	$334.5	13.5%

The budget adds $500,000 in 1975–76 to fund Chapter 1441, Statutes of 1974, which provides that business inventories mistakenly omitted from the property tax roll (escape assessments) shall be exempted in the same manner as other personal property.

Significant Growth in 1973–74 and 1974–75

Assessed value of business inventories has grown at an average annual rate of 6 percent during the first four years of this program. The rate of growth in 1973–74, however, amounted to 13.9 percent and accelerated in 1974–75 to 21.5 percent. Table 2 provides a comparison of inventory growth in the nine largest metropolitan counties which contain 73 percent of all inventories and the same data for the seven largest valley counties.

Table 2 indicates that except for Contra Costa County, inventory growth in 1973–74 was above historical patterns in all counties with highest rates reported in counties with rapidly growing populations. The rate of growth of assessed values in the valley counties was generally less than that registered in the metropolitan areas. Most of the increases are explained by the March 1972 to March 1973 change in the wholesale price index for all commodities. Wholesale prices during this period increased by 8.1 percent nationally. The remainder represents an increase in the total volume of inventories which followed exceptional growth in retail sales during calendar year 1972.

PERSONAL PROPERTY TAX RELIEF—Continued

Table 2
Assessed Value of Business Inventories, Location by County and Percent Change 1972–73 to 1974–75

Metropolitan Counties	*1974–75 Percent of State Total*	*Percent Change 1972–73 to 1973–74*	*Percent Change 1973–74 to 1974–75*
Alameda	6.1%	8.6%	15.4%
Contra Costa	2.8	5.3	25.7
Los Angeles	39.4	13.8	16.7
Orange	7.1	20.9	25.3
Riverside	1.7	13.5	18.7
San Diego	4.4	16.8	25.3
San Francisco	2.4	6.3	15.0
San Mateo	2.8	20.2	13.7
Santa Clara	6.7	14.6	34.1
Total, metropolitan	73.0%	13.8%	19.5%
Valley Counties			
Fresno	2.9%	7.0%	39.7%
Kern	1.3	7.2	30.1
San Bernardino	2.4	10.9	18.2
San Joaquin	2.3	14.6	31.4
Sacramento	2.1	12.7	22.1
Stanislaus	1.8	14.9	19.4
Tulare	1.1	17.2	28.7
Total, Valley	14.0%	11.7%	26.9%
Total, metropolitan and valley	87.0%	13.5%	20.6%
Total, all counties	100.0%	13.9%	21.5%

The 1974–75 growth in inventories was significant for all counties, with valley counties registering a 26.9 percent increase. The change in value of farm commodities in storage contributed to this increase as the wholesale price index of farm products during the year rose by 28 percent. During this same period, the wholesale price index for all commodities increased by 15 percent and was the main factor determining the 19.5 percent inventory growth reported in the metropolitan counties. The 1974–75 growth in inventories was not expected and, as a result, a deficiency appropriation of $33.2 million will be required in order to fully fund inventory tax losses during the current year.

Budget Base

The budget amount is based upon a 13 percent growth in the value of inventories and a business inventory tax rate of $11.21 which is seven cents above the 1974–75 rate. We estimate that all of the increase in value will be due to growth in prices with no change in the volume of inventories between March 1974 and March 1975. The Department of Finance forecast estimates a 1.5 percent increase in the volume of inventories nationally during this period, but most of this increase will be due to the buildup of unsold autos which are not included in inventories subject to local property taxes.

OPEN-SPACE PAYMENTS TO LOCAL GOVERNMENT

Item 81 from the General Fund Budget p. 151

Requested 1975–76	$16,000,000
Estimated 1974–75	15,000,000
Actual 1973–74	17,403,109
Requested increase $1,000,000 (6.7 percent)	
Increase to improve level of service $1,000,000	
Total recommended reduction	$16,000,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Delete subvention. Eliminate $16,000,000.* Recommend funds budgeted for open-space subventions be eliminated. 132

GENERAL PROGRAM STATEMENT

Section 8, Article XXIII (former Article XXVIII) of the Constitution authorizes the Legislature to provide for the assessment of land at less than market value if it is under enforceable restrictions. The California Land Conservation Act of 1965 (the Williamson Act) and related open-space laws authorize cities and counties to enter into contracts with landowners to restrict the use of property to open-space and agricultural purposes.

The open-space subventions in this item provide replacement revenues to cities, counties and school districts to compensate for reduced property tax revenues on open-space land.

The Secretary of the Resources Agency, through the Department of Conservation, administers subventions to cities and counties. The Superintendent of Public Instruction administers subventions to school districts.

ANALYSIS AND RECOMMENDATIONS

Section 16140 of the Government Code appropriates General Fund money for open-space subventions to counties, cities and school districts. The Budget Act, however, has appropriated specific *substitute* amounts since the subventions began in 1972. The Budget Act appropriations and allocations to local agencies for the four years of the program are indicated in Table 1.

Table 1

Allocation of Open-Space Subventions

Local Agency	*1972–73*	*1973–74*	*1974–75*[a]	*1975–76*[a]
School districts	$7,171,452	$7,719,269	$4,000,000	$4,000,000
Counties and cities	5,828,548	9,683,840	11,000,000	12,000,000
Total	$13,000,000	$17,403,109	$15,000,000	$16,000,000

[a] Estimated

OPEN-SPACE PAYMENTS TO LOCAL GOVERNMENT—Continued

Deficient Program

We recommend that the funding for open-space subventions be removed by revising this item to reappropriate the $16 million to the surplus in the General Fund.

Existing open-space legislation largely represents a compromise between (1) the environmental goals of preserving open space and (2) tax reduction pressures. Experience to date indicates that neither the open-space legislation nor the subventions are preserving prime agricultural lands or discouraging premature and unnecessary conversion of agricultural land to urban use. Most of the lands under contract are nonurban, and therefore are not threatened with development or urbanization. These lands do not require reduced property tax assessment as an inducement to be retained in open space. Consequently, the program has become essentially a property tax reduction device of low priority compared to property tax reduction programs intended to provide specifically formulated tax relief.

Preliminary data from the Department of Conservation show, by location, county and city entitlements to open-space subventions for 1974–75. There are 13,742,978 acres statewide under contract. Of that amount, Table 2 indicates that 2,649,502 acres or 19 percent is classified by the department as urban land and 11,093,475 acres or 81 percent as nonurban land.

Table 2

Estimated Number of Urban and Nonurban Acres in County and City Applications for 1974–75 Open-Space Subventions

	Urban[a]	*Nonurban*
Counties		
Prime	870,019	3,304,404
Nonprime land	1,740,038	7,789,071
Cities		
Prime	5,329	—
Nonprime	34,116	—
	2,649,502	11,093,475

[a] Generally land located within three miles of an incorporated city.

Most of the state subventions go to four nonurban counties, Kern, Fresno, Tulare and Kings, for lands that are not threatened with development or urbanization. For example, in 1973–74 the state allocated about $17,400,000 in open-space subventions to 279 school districts, 41 counties and 12 cities. Of that amount, $9,640,905 or 55 percent was allocated to those four counties and 106 school districts within those four counties as indicated in Table 3.

Table 3

Allocation of 1973–74 Open-Space Subventions

	School districts	*Counties*
Fresno	$1,430,507	$1,722,874
Kern	1,834,125	1,583,488
Tulare	774,128	1,100,853
Kings	319,036	875,894
	$4,357,796	$5,283,109

Present law gives the landowner the option to decide whether to place his land under the program. This option precludes assurance that the lands in the program are urban or nonurban priority lands that should be preserved in open space. In addition, the open-space subvention tends to remove the burden of the open-space tax loss from local government without requiring it to balance this tax loss against commensurate environmental or other gains which might result from placing lands in open space. By compensating counties for their tax loss, the program eliminates much of the basis for critical assessment by counties of the open-space contracts and facilitates tax reduction as an end in itself.

Last year we recommended approval of the appropriation for the 1974–75 subventions with the qualification that legislation be enacted to repeal the subvention or, alternatively, to provide the subvention only for land determined to serve a specific open space purpose. The Legislature considered major changes in the existing law last year to secure more environmental emphasis but did not adopt them. In the absence of such a change in emphasis we cannot recommend continuing the subvention.

Because of the continuing appropriation in statutory law for the subventions, our recommendation will require rewriting the item to reappropriate the money to the surplus in the General Fund.

HOMEOWNERS' PROPERTY TAX RELIEF

Item 82 from the General Fund Budget p. 151

Requested 1975–76	$716,000,000
Estimated 1974–75	702,600,000
Actual 1973–74	657,060,490
Requested increase $13,400,000 (1.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The homeowners' exemption is $1,750 of assessed value, which is equal to $7,000 in terms of a home's full cash value on the basis of a 25 percent assessment ratio. The local tax rate is determined before the value of the exemption is deducted and each jurisdiction is then reimbursed from the state General Fund for the tax losses resulting from the exemption. Table 1 summarizes those factors which affect the size of this program and which were used to determine the expenditure amounts contained in the Governor's Budget.

Table 1
Homeowners' Exemption Program Growth

	1973–74	*1974–75*	*1975–76*	*Percent Changed*
Total expenditures (millions)	$657.1	$702.6	$716.0	1.9%
Number of claimants (thousands)	3,368	3,481	3,546	1.9
Value per claim	$197	$200	$202	1.0
Average property tax rate	11.34	11.54	11.64	0.9

A deficit of $26.5 million exists in 1974–75 which will require separate funding in 1975. This deficit occurred because the actual number of home-

HOMEOWNERS' PROPERTY TAX RELIEF—Continued

owners filing for the exemption exceeded budget estimates by 123,000 claimants. Also included within this deficit is a $5.7 million prior year adjustment required to fund 1973–74 late claims which were paid in 1974–75.

Annual Filing Eliminated

Chapter 60, Statutes of 1974, eliminated the annual filing procedure which required each homeowner to submit before April 15 of each year an affidavit certifying his eligibility to receive the homeowners' exemption in the subsequent fiscal year. Beginning with the 1975–76 fiscal year, homeowners who have once filed for the homeowners' exemption will only be required to notify the assessor when they are no longer eligible. Elimination of the annual filing requirement will reduce assessor's administrative costs significantly and, therefore, Chapter 60 eliminates the annual state General Fund administrative cost reimbursement of 10 cents for each exemption claim filed. Chapter 60 also extended the late filing deadline for new homeowners from June 15 to December 1. The 1973–74 deadline was extended to March 31, 1974 and as a result 38,000 additional exemptions were claimed. The Department of Finance estimated that late filers amounted to 20,000 homeowners in 1974–75 and will amount to 17,000 homeowners in 1975–76.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The 1975–76 amount requested is based upon a program growth of 65,000 claimants. This increase compares with the 113,000 new claimants expected in the current year. Table 2 divides the budget estimate of new claims filed between (1) new claims which result from a higher participation rate, i.e., previously eligible homeowners filing for the first time and (2) new claimants resulting from new home construction.

Table 2
Homeowners' Exemption
Distribution of Growth in Claims
1974–75 Through 1975–76
(amounts in thousands)

	1974–75	*1975–76*	*Percent Change*
Number of claimants	3,481	3,546	1.9%
Increases from prior year	113	65	-42
Participation rate increase	(49)	(16)	-67
New homeowners	(64)	(49)	-23
Single family home construction permits [a]	103	74	-28

[a] Housing data are presented for 1973 and 1974, the years preceding the fiscal years in which initial homeowner exemptions would be paid.

Table 2 shows that new claims resulting from an increase in participation are expected to decline from 49,000 in 1974–75 to 16,000 in 1975–76. This decline is expected because the participation rate of all homeowners is approaching 100 percent of the estimated number of eligible homeowners. The budget estimates that new homeowner exemptions will decline by 23 percent from 64,000 new claims in 1974–75 to 49,000 in 1975–76. This decline parallels the estimated 28 percent decline in single family home construction during the previous two calendar years.

Tax Rate Increase

The budget estimate is based on a property tax rate of $11.64 which is 10 cents above the current year tax rate. We believe this rate may be low for the following reasons:

1. Pressure to increase property tax rates in 1974–75 was moderated by significant increases in assessed values. Factors contributing to this growth in 1974–75 were the revaluation of mineral resources and the effect of high timber and commodity prices on assessed values. These factors are not expected to be as significant in 1975–76.

2. Local government budgets in 1975–76 will probably be adjusted to more fully reflect the effects of inflation on government operations.

3. Expected high rates of unemployment in 1976 will increase county welfare budgets above normal workload levels.

Accurate estimates of 1975–76 assessed value and tax rates cannot be made at this time. To the extent that the budget estimates are low, underfunding will occur on the order of an additional $6 million in cost for every 10 cent increase in tax rates above the budget amount. Actual program costs will be known before final reimbursements to local government are made, which gives the Legislature ample time in 1976 to augment this program if necessary.

Growth in Assessed Value

A separate report will be prepared in time for committee hearings identifying those factors which contributed to a high and significantly unequal growth in assessed values in California counties during 1974–75. The following list exemplifies the changes in value which occurred on a statewide basis.

County	*Percent Change in 1974–75 Assessed Value*
Alameda	7.1%
Contra Costa	12.7
Fresno	16.7
Kern	34.4
Los Angeles	6.3
Orange	17.2
San Diego	15.0
San Francisco	3.3
Santa Clara	11.3
Sacramento	9.0

The statewide growth in assessed values between counties may affect the equitable distribution of property tax relief funds between taxpayers. The magnitude of the factors contributing to these changes is presently unknown, but will be measured and evaluated in terms of its impact upon state funded property tax relief programs.

RENTERS' TAX RELIEF

Item 83 from the General Fund Budget p. 152

Requested 1975–76	$115,000,000
Estimated 1974–75	105,000,000
Actual 1973–74	92,317,518
Requested increase $10,000,000 (9.5 percent)	
Total recommended reduction	None

HOMEOWNERS' PROPERTY TAX RELIEF—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. Simplify Funding. We concur in budget recommendation to enact legislation appropriating entire program from the General Fund.	137

GENERAL PROGRAM STATEMENT

Chapter 1406, Statutes of 1972, provides annual tax relief to renters ranging from $25 to $45 depending upon income. Single persons are individually eligible for assistance regardless of the number living within a dwelling unit, while married couples are allowed to file only one claim. This program commenced in 1973–74 with claims paid on the basis of renters' 1973 incomes. Table 1 summarizes the first year costs of this program.

Table 1
Renters' Tax Relief
Distribution of Claimants and State Cost by Income Class
1973–74

Adjusted Gross Income	*Amount Per Claimant*	*Actual Number of Claimants (in thousands)*	*Total Amount Claimed (in thousands)*
$ 0–5,000	$25	680	$17,000
5–6,000	30	200	6,000
6–7,000	35	185	6,000
7–8,000	40	205	8,000
8,000 and up	45	1,260	57,000
		2,530	$94,000 [a]

[a] Total includes $1.7 million paid after the close of the 1973–74 fiscal year.

ANALYSIS AND RECOMMENDATIONS.

We estimate, based upon projected census data, that there were 3.8 million claimants eligible for renters' relief in 1973–74. The 2.5 million claims actually paid represents a participation rate of 66 percent. Participation rates in this program were expected to be higher because claims submittal is integrated with the filing of personal income tax returns. Those persons who did not claim rent relief are concentrated into the following three groups: (1) renters whose incomes were not withheld for tax purposes and who were not required by law to file an income tax return, (2) renters who were unaware that income taxes were withheld and were not required to file a tax return, and (3) renters who had an income tax liability but did not file correctly. We estimate that the majority of nonclaimants were low income renters who fell into the first and second groups. Table 2 shows the possible increase in claimants which could be funded from the amounts proposed in the Governor's Budget.

The Department of Finance estimate of amounts needed to fund this program in 1974–75 and 1975–76 appear to be reasonable, based upon our first year experience with this program. In estimating the number of funded claims in Table 2, we reduced the average claim from $37 to $35

Table 2
Renters' Tax Relief
Number of Claims Funded by Amounts Budgeted 1973–74 through 1975–76

	Average Amount Claimed	*Amount Budgeted (in millions)*	*Claims Funded (in millions)*	*Estimated Eligible Claimants (in millions)*	*Estimated Participation Rate*
1973–74 Actual	$37	$94.4	2.5	3.8	66%
1974–75 Estimated	35	105.0	3.0	3.9	77
1975–76 Estimated	35	115.0	3.3	4.0	83

to reflect program growth primarily in the lower income classes.

Legislation Recommended

We concur in the budget recommendation that legislation be enacted to appropriate the total program expenditures from the General Fund beginning in 1974–75.

Chapter 1406 provides that the renters' claims shall be funded as a credit against personal income taxes and that amounts exceeding the claimants' tax liability shall be refunded from the General Fund. Accordingly, the 1974–75 budget appropriated only $45 million in General Fund refunds with the remaining $60 million to be treated as a reduction in personal income tax revenues.

The budget recommends (1) that legislation be enacted to appropriate the entire renter relief program from the General Fund and (2) that this change be implemented by increasing the current year appropriation from $45 million to $105 million. No change in General Fund surplus will result, because the appropriation increase will be offset by an equal increase in personal income tax revenues.

The renters' relief program was integrated with the personal income tax filing program because claiming a credit or refund on a Form 540 tax return will result in significant administrative cost savings. The administration of this program, however, does not require the present procedure of split funding.

Unlike the personal exemption and dependent tax credits, the Renters' Tax Relief Program was not designed to provide personal income tax relief and therefore should not be presented in budget totals as a reduction in revenues. By appropriating the entire program from the General Fund, expenditure totals will reflect true program costs and personal income tax revenues will not be reduced by a program unrelated to the Personal Income Tax Law. Full General Fund budgeting will also eliminate the complicated procedure of annually estimating the composition of credit versus refund amounts.

The Governor's Budget also points out that federal revenue sharing receipts to the state and local governments will increase because personal income tax revenues will be higher if the credit portion of the renters' program is financed by General Fund appropriation. This occurs because personal income tax revenues is one factor used in determining federal revenue sharing allocations. The Department of Finance estimates that appropriation of the current year renters' credit will increase 1976 federal revenue sharing allocations to the state by approximately $500,000 and to local government by $1 million.

PAYMENTS TO LOCAL GOVERNMENT FOR SALES AND PROPERTY TAX REVENUE LOSS

Item 84 from the General Fund | Budget p. 152

Requested 1975–76	$4,810,000
Estimated 1974–75	2,700,000
Actual 1973–74	1,643
Requested increase $2,110,000 (78 percent)	
Total recommended augmentation	15,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Blind Veterans. Augment $15,000.* Recommend augmentation to fund Chapter 16, Statutes of 1973, for deficit in property tax exemption program. 138

GENERAL PROGRAM STATEMENT

Chapter 1406, Statutes of 1972, requires the state to reimburse local government for losses resulting from state enacted sales tax exemptions or property tax exemptions. The seven measures enacted since 1973 have ongoing funding requirements and, therefore, require an annual Budget Act appropriation. All of the statutes are funded from this single budget act appropriation which allows the Controller flexibility to cover deficits occurring in some statutes with surplus funds from other measures.

This analysis summarizes the major features of each statute and compares amounts requested in the budget year with estimated 1974–75 reimbursements.

ANALYSIS AND RECOMMENDATIONS

We recommend an augmentation of $15,000 to fund an anticipated deficit in Chapter 16, Statutes of 1973, which increased the property tax exemption for blind veterans.

Except for Chapter 16, Statutes of 1973, the amounts requested for funding each of the following statutes are consistent with expected 1975–76 changes in program costs.

	Estimated 1974–75	*Requested 1975–76*
Chapter 16, Statutes of 1973	$16,852	$2,000

This measure increased from $5,000 to $10,000 of assessed value the property tax exemption for blind veterans residing in corporate-owned residences. Unaudited claims from nine counties in 1974–75 amounted to $16,852. The budgeted amount, which is estimated to be $15,000 below the amounts required to fund this statute, was based upon estimates developed prior to the receipt of 1974–75 claims information.

	Estimated 1974–75	*Requested 1975–76*
Chapter 1165, Statutes of 1973	$79,975	$80,000

This statute requires that lands governed under a wildlife habitat contract shall be valued as open-space lands. Chapter 1483, Statutes of 1974, appropriated $79,975 to reimburse Merced County for its claim of 1974-75 tax losses.

	Estimated 1974–75	*Requested 1975–76*
Chapter 1169, Statutes of 1973	$2,577,365	$2,733,000

This statute excludes from the computation of certificated aircraft assessed value the time prior to the aircrafts' first revenue flight and subsequent ground time in excess of 12 hours.

	Estimated 1974–75	*Requested 1975–76*
Chapter 456, Statutes of 1974	$40,000	$45,000

This measure exempts the intangible value of business records including the information they contain or the value of their use. Title records are one example of documents having intangible value which becomes exempt from taxation under this statute.

	Appropriated 1975–76
Chapter 1010, Statutes of 1974	$30,000

This statute exempts a camp trailer and house car from payment of the state and local use tax when the vehicle is ordered from a dealer located outside the state, and the vehicle is to be used outside the state. The statute appropriated $30,000 for disbursement in 1975–76 to all local entities with 80 percent of this disbursement to be made in the same manner as cigarette tax revenues and 20 percent allocated to local transportation funds in the same manner as sales tax revenues.

	Requested 1975–76
Chapter 1405, Statutes of 1974	$1,300,000

This statute exempts from property taxation, cargo containers which are used principally in ocean commerce, and have a displacement of at least 1,000 cubic feet.

	Requested 1975–76
Chapter 1467, Statutes of 1974	$650,000

This statute provides that commercial fishing vessels (party boats) are to be assessed at 1 percent rather than 25 percent of full cash value.