

In view of the consolidation proposal and its attendant personnel and operating savings, it is inappropriate, in our judgment, to increase the Department of Justice staff. Staffing needs should be determined by the agency responsible for the program in the budget year. We therefore recommend deletion of the funding for the six new positions requested by the Department of Justice. This recommended deletion of the positions is reflected, correspondingly, in our analysis of the department's budget request (Item 38).

SENIOR CITIZENS' PROPERTY TAX ASSISTANCE

Item 369 from the General

Fund	Budget p. 1001
Requested 1977-78	\$78,000,000
Estimated 1976-77	52,500,000
Actual 1975-76	51,149,098
Requested increase \$25,500,000 (48.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Senior citizens' property tax assistance is available to homeowners 62 and over with total household incomes below \$12,000. Assistance varies inversely with income, ranging from 96 percent of property taxes for qualified homeowners with incomes below \$3,000 to 4 percent of taxes between \$11,500 and \$12,000 of income. Assistance disbursed in the budget year will relate to taxes paid in the 1976-77 fiscal year and incomes in the 1976 calendar year.

This program was significantly expanded by Chapter 1060, Statutes of 1976. Effective with respect to assistance in the budget year, Chapter 1060 raised the income limit from \$10,000 to the present \$12,000 level and increased the maximum full value on which assistance is allowed from \$30,000 to \$34,000. (This limit, which is applied after the \$7,000 homeowners' exemption, permits assistance on the first \$41,000 of the full value of a home as determined by the assessor.) This act also increased the percentages of assistance available to existing claimants. Table 1 illustrates the percentages of taxes reimbursed under Chapter 1060 at selected income levels and compares these to the percentages of assistance effective for the current year.

Table 2 summarizes the actual number of claimants and amounts of assistance provided under this program for the 1974-75 through 1976-77 disbursement years. Nearly 294,000 claimants received average assistance payments of \$178 in the current year, which represents approximately 36 percent of the average 1976-77 tax liability of \$493. Although taxes paid by claimants were significantly higher in the current year (by about 12.6 percent over 1975-76), assistance as a percentage of taxes declined 2.5 percentage points from the 38.5 percent shown for 1975-76. This reflects the fact that, under a fixed reimbursement schedule, the average percent-

SENIOR CITIZENS' PROPERTY TAX ASSISTANCE—Continued

Table 1
Senior Citizens' Assistance Program
Comparison of Assistance Schedules

Household Income	Percentage of Taxes Reimbursed		Percentage Point Change
	1972-73 Through 1976-77	1977-78 ^a and Forward	
\$1,000.....	96%	96%	—
2,000.....	92	96	4%
3,000.....	84	96	12
4,000.....	74	86	12
5,000.....	54	76	22
6,000.....	32	57	25
7,000.....	21	37	16
8,000.....	12	22	10
9,000.....	6	12	6
10,000.....	4	8	4
11,000.....	—	6	6
12,000.....	—	4	4

^a Enacted by Chapter 1060, Statutes of 1976.

age assistance tends to decline as incomes increase. Rising incomes also resulted in a decreased number of claimants (down from 301,000 in 1975-76) as homeowners whose incomes exceeded the \$10,000 limit became ineligible.

Table 2
Senior Citizens' Property Tax Assistance^a
1974-75 Through 1976-77

	1974-75	1975-76	1976-77 ^b
Number of claimants.....	309,254	300,737	293,650
Total assistance ^c	\$49,905,500	\$50,821,380	\$51,776,000
Per claimant averages:			
Household income.....	\$5,208	\$5,307	\$5,555
Property taxes.....	\$353 ^d	\$438	\$493
Property tax rate.....	\$11.34	\$11.56	\$11.76
Assistance:			
Amount.....	\$161	\$169	\$178
Percent of taxes.....	45.8%	38.5%	36.0%

^a Based on eligibility requirements in effect prior to Chapter 1060, Statutes of 1976.

^b Preliminary.

^c This figure is based on Franchise Tax Board workload data and will differ somewhat from fiscal-year expenditures reported by the State Controller.

^d Represents taxes on the first \$7,500 of assessed value.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The \$78 million budgeted for this program in 1977-78 is \$25.5 million, or 48.6 percent, higher than the \$52.5 million disbursed in the current year. This substantial growth largely reflects the schedule change and higher income and assessed value limits enacted by Chapter 1060.

Potential Savings in the Budget Year

Based on the growth pattern of this program in recent years and current estimates of the effect of Chapter 1060, we believe there exists a potential for savings in expenditures budgeted for 1977-78 of up to \$8 million. As illustrated by the three-year history of the current program shown in Table 2, higher incomes, and consequent reductions in percentages of assistance, have largely offset the effect of increased taxes to result in a minimal growth in total expenditures. Although assessed values for owner-occupied homes are estimated to be up by 15 percent to 17 percent in 1976-77, the net effect of this growth on taxes paid by claimants should be mitigated by a reduction in the average tax rate applicable to homeowners (down from \$11.76 in 1975-76 to \$11.47 in the current year). Thus, we would not expect base program expenditures in the budget year to grow significantly faster than the 2.6 percent increase estimated for the current year. Based on a three-percent growth factor, we estimate total expenditures of about \$54 million before adjustment for the effects of legislation.

The schedule change and higher income and assessed value limits enacted by Chapter 1060 are estimated to increase expenditures under this program by approximately \$16 million in 1977-78. Thus, we would expect total program expenditures, adjusted for the effects of Chapter 1060, of about \$70 million. This assumes approximately 325,000 senior citizen homeowners with incomes not exceeding \$12,000 will claim assistance averaging about \$215. Although these figures indicate actual expenditures in 1977-78 may be substantially lower than those budgeted, we believe adjustments to the budget at this time would be premature in light of the unknown factors associated with the changes enacted by Chapter 1060 (e.g., the extent of increased participation by currently eligible homeowners and the number and participation of newly eligible, higher-income homeowners).

SENIOR CITIZEN RENTERS' TAX ASSISTANCE

Item 370 from the General
Fund

Budget p. 1001

Requested 1977-78	\$20,000,000
Estimated 1976-77.....	N/A
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Senior citizen renters' tax assistance is similar to assistance currently available to senior citizen homeowners and is provided under a new program which was enacted by Chapter 1060, Statutes of 1976. Renters 62 and over are eligible for assistance, beginning in the budget year, if their total household income does not exceed \$5,000 and if their monthly rent is at least \$50. (Senior citizen renters' assistance is in addition to the \$37 grant provided *all* renters under the Renters' Tax Relief program.) Assistance under this program is based on a variable percentage of a flat "property

SENIOR CITIZEN RENTERS' TAX ASSISTANCE—Continued

tax equivalent" of \$220. Table 1 illustrates the percentage and dollar benefits available to senior citizen renters at selected income levels and compares these to the percentages of property taxes reimbursed under the senior citizen homeowners' assistance program, as revised by Chapter 1060.

Table 1
Senior Citizen Renters Tax Assistance
Benefits by Income Level

Household Income	Senior Citizen Renters		Senior Citizen Homeowners (Percentage of Actual Taxes)
	Percentage of \$220	Amount	
\$1,000	96%	\$211	96%
1,500	92	202	96
2,000	81	178	96
2,500	63	139	96
3,000	51	112	96
3,500	33	73	90
4,000	21	46	86
4,500	12	26	80
5,000	4	9	76
6,000	-	-	57
7,000	-	-	37
8,000	-	-	22
9,000	-	-	12
10,000	-	-	8
11,000	-	-	6
12,000	-	-	4

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The \$20 million budgeted for disbursements under this program in 1977-78 assumes approximately 200,000 renter claimants will receive assistance payments averaging \$100. Given the limitations of available data on rented households, we believe the amount budgeted is reasonable. Actual expenditures could differ significantly from those estimated to the extent (1) data on the total number of renters and their distribution by income class prove to be unreliable and/or (2) the rate of participation of qualified renters is higher or lower than expected.

PERSONAL PROPERTY TAX RELIEF

Item 371 from the General
Fund

Budget p. 1001

Requested 1977-78	\$430,000,000
Estimated 1976-77	409,000,000
Actual 1975-76	362,718,234
Requested increase \$21,000,000 (5.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Personal Property Tax Relief program provides for reimbursement of local revenue losses resulting from the exemption of 50 percent of property taxes on business inventories. Reimbursements also are made under this program to replace local revenue losses due to a 50 percent exemption of livestock taxes and special provisions for assessing motion pictures and wine and brandy.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Table 1 summarizes actual personal property tax relief expenditures for 1975-76 and those estimated for the current and budget years. As shown in this table, the \$430 million budgeted for 1977-78 represents an estimated 5.1 percent growth over 1976-77 disbursements of \$409 million. The bulk of these expenditures, or approximately \$424 million, will be used to fund the business inventory exemption.

Table 1
Total Personal Property Tax Relief
Summary of Expenditures
(in millions)

	Actual 1975-76	Estimated 1976-77	Proposed 1977-78	Percent Change
Business inventory exemption	\$357.1	\$403	\$424	5.2%
Special reimbursements for motion picture films, wine, and livestock	5.6	6	6	-
Total personal property relief	\$362.7	\$409	\$430	5.1%

Table 2 illustrates the growth of exempt business inventories from 1975-76 to 1977-78 and provides a breakdown of expenditures for this exemption in each of these years. The approximate \$3.6 billion current-year exempt assessed value estimated for 1977-78 assumes an 11.2 percent growth in inventories over 1976-77. In recent years, inventory levels have been highly volatile and, consequently, very difficult to predict accurately.

PERSONAL PROPERTY TAX RELIEF—Continued

Table 2
Business Inventory Exemption
Exempt Assessed Values and Expenditures
 (in millions)

<i>Exempt Assessed Values</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Percent Change</i>
Current year				
Base program	\$3,090	\$3,148	\$3,499	11.2%
In-transit imports ^a	-	78	87	11.2
Total, current year	\$3,090	\$3,226	\$3,586	11.2%
Escape assessments				
In-transit imports ^a	-	\$190	-	-
Chapter 1441 ^b	\$4	61	\$87	42.6
Total exempt assessed valuation	\$3,094	\$3,478	\$3,673	5.6%
<i>Average property tax rate</i>	\$11.55	\$11.59	\$11.55	-0.4%
Expenditures				
Current year	\$356.6	\$374	\$414	10.7
Escape assessments				
In-transit imports ^a	-	22	-	-100.0
Chapter 1441 ^b	0.5	7	10	42.9
Total expenditures	\$357.1	\$403	\$424	5.2%

^a Represents exemptions due to a U.S. Supreme Court decision (*Michelin Tire Corp. v. Wages*) which permitted taxation of certain imported goods.

^b Chapter 1441, Statutes of 1974, allowed the business inventory exemption on escape assessments.

In general, however, an inventory buildup of this magnitude appears to be consistent with current forecasts of economic activity in the 1977 calendar year.

Expected Current-Year Savings

The \$403 million estimated for the business inventory exemption in 1976-77 includes approximately \$22 million for exemptions applicable to prior-year (escape) assessments made pursuant to a U.S. Supreme Court ruling in *Michelin Tire Corp. vs. Wages*. The Michelin decision permitted counties to assess certain imported goods which were previously exempt under interpretations of the federal Constitution. Although escape assessments on affected property were specifically prohibited by Chapter 335, Statutes of 1976, the validity of this prohibition has been challenged. According to language in the budget document, claims for reimbursement of exemptions allowed on escape assessments made as a result of the Michelin decision will be denied regardless of the outcome of pending litigation. However, many counties have included such reimbursements in their total inventory reimbursement claim. Thus, savings estimated at \$22 million should be realized in the current year after the state completes its audits of these claims. Estimated expenditures for 1976-77 do not reflect this expected reduction because the magnitude of escape assessments due to the Michelin decision was not known at the time the budget was prepared. Such savings will add to General Fund surplus in the current year.

HOMEOWNERS' PROPERTY TAX RELIEF

Item 372 from the General

Fund	Budget p. 1002
Requested 1977-78	\$818,000,000
Estimated 1976-77	760,000,000
Actual 1975-76	756,465,009
Requested increase \$58,000,000 (7.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The homeowners' property tax exemption is \$1,750 of the assessed value (\$7,000 full value) of an owner-occupied dwelling. For the budget year, this exemption will provide nearly four million homeowners with an average property tax reduction of approximately \$200. The state reimburses local government for all revenue losses resulting from the exemption.

Chapter 1060, Statutes of 1976, extended the homeowners' exemption to an estimated 90,000 welfare recipients. Because this extension was enacted after the April 15, 1976 filing deadline, only late claims (limited to 80 percent of the exemption) can be filed by welfare recipients for 1976-77. Projected expenditures in 1977-78 assume that state reimbursement of local revenue losses resulting from these late current-year claims will be made in the budget year, along with reimbursements for timely claims filed by welfare recipients for the 1977-78 tax year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Table 1 provides a detailed breakdown of claims and expenditure data for the 1975-76 through 1977-78 fiscal years. The \$818 million requested for homeowners' relief in the budget year reflects an anticipated 130,000 new current-year claims, an increase of 3.4 percent over those estimated for 1976-77. This growth appears to be in line with current projections of single-family housing starts and other indicators of increases in the stock of owner-occupied homes.

The increase from 1975-76 to 1977-78 in base program expenditures, excluding the effect of legislation, has been somewhat mitigated by a significant reduction in the average property tax rate applicable to homeowners. As shown in Table 1, the average tax rate decreased from \$11.76 in 1975-76 to \$11.47 in the current year, presumably because of substantial increases in assessed valuation. Based on expectations for continued above-average assessed value growth in 1977-78, the tax rate has been held constant for purposes of estimating budget-year expenditures.

Sample Field Audit of Claims

Chapter 60, Statutes of 1974, provided for continuous filing of claims for the homeowners' exemption, effective with the 1974-75 fiscal year. Homeowners who have received the exemption in the preceding year now

HOMEOWNERS' PROPERTY TAX RELIEF—Continued

Table 1
Homeowners' Property Tax Exemption
Summary of Expenditures

<i>Current-Year Claims</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Percent Change</i>
Number (thousands):				
Base program	3,640	3,760	3,890	3.5%
Legislation ^a	-	90	90	-
Total	3,640	3,850	3,980	3.4%
Exempt assessed value (millions):				
Base program	\$6,331	\$6,552	\$6,784	3.5%
Legislation ^a	-	125	157	25.6
Total	\$6,331	\$6,677	\$6,941	4.0%
Per-claimant averages:				
Exempt assessed value	\$1,740	\$1,743	\$1,744	0.1%
Property tax rate	\$11.76	\$11.47	\$11.47	-
Property tax reduction	\$205	\$200	\$200	-
<i>Expenditures (millions)</i>				
Current year:				
Base program	\$744.5	\$752	\$778	3.5%
Legislation ^a	-	14	18	28.9
Total	\$744.5	\$766	\$796	3.9%
Adjustments:				
Late Chapter 1060 claims ^b	-	-\$14	\$14	-
Prior year claims	\$11.6	8	8	-
Total expenditures	\$756.5	\$760	\$818	7.6%

^a Chapter 1060, Statutes of 1976, (AB 2972) extended the exemption to welfare recipients (assessed value is 80% of \$1,750 exemption in 1976-77).

^b Represents 80-percent late claims filed by welfare recipients for 1976-77, for which it is assumed local reimbursements will be made in 1977-78.

automatically receive a current-year exemption unless the assessor is notified by the claimant of a change in eligibility status. Although it was expected that continuous filing would result in some increase in participation rates, there is concern that, because the growth in claims experienced in 1974-75 and 1975-76 significantly exceeded estimates for those years, at least part of this increase may be attributable to a greater number of erroneous claims.

For purposes of measuring the potential magnitude of the number of invalid claims under continuous filing, the Department of Finance has requested the State Board of Equalization to conduct a sample field audit of claims filed in the current year. Although statewide computer matches are presently used to detect claims for more than one exemption or claims for both the homeowners' exemption and the renters' income tax credit, there is limited verification of individual claims at the local level by either the state or the county. To the extent the proposed sample audit reveals significant abuses (e.g., exemptions received by deceased owners or owners who have leased their residence), the Department of Finance indicates that recommendations for corrective legislative action may be possible.

OPEN-SPACE PAYMENTS TO LOCAL GOVERNMENT

Item 373 from the General Fund

Budget p. 1002

Requested 1977-78	\$21,000,000
Estimated 1976-77	19,500,000
Actual 1975-76	16,000,000
Requested increase \$1,500,000 (7.7 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Amount of Subvention. Defer recommendation until more information from the Department of Education is available. 1025

GENERAL PROGRAM STATEMENT

Section 8, Article XIII 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

Government Code Section 16140 continuously 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. For 1977-78, Item 373 requests \$21 million, which provides \$14 million for cities and counties and \$7 million for school districts.

Revised Formula for Subventions to Cities and Counties

Chapter 658, Statutes of 1976, revised the formula for open-space subventions to cities and counties to increase the payments for lands near urban areas and decrease the payments for remote lands. The revised formula provides payments for each acre of land under contract as follows:

1. \$8 for prime agricultural land that is within:
 - a. An incorporated city.
 - b. 3 miles of a city with 25,000 or more population.
2. \$5 for prime agricultural land that is within:
 - a. An incorporated city with population between 15,000 and 25,000.
 - b. 3 miles of a city with population between 15,000 and 25,000 in a county that does not have a city with 25,000 population so as to

OPEN-SPACE PAYMENTS TO LOCAL GOVERNMENT—Continued

qualify for the \$8 subvention.

3. \$1 for all other prime agricultural land.
4. \$0.40 for nonprime land.

The formula is modified by other provisions of Chapter 658 that, in general, restrict increases or decreases from the amount which would have been paid for acreage allotments under the former law to an amount equal to the property tax revenue derived from a levy at the rate of \$0.03 per hundred dollars of assessed value.

The revisions of Chapter 658 will affect practically all of the subventions. Significant changes, according to Department of Conservation data, include reduced allocations to Fresno and Kern Counties and increased allocations to Colusa, Glenn, Mendocino, Monterey, Solano and Yolo Counties. The southern San Joaquin Valley counties remain the major recipients of the subventions.

For 1975-76 state subventions were paid for 14,427,087 acres of land under contract statewide, of which 4,371,027 acres were prime lands and 10,056,060 acres were nonprime.

Subventions Underfunded for 1975-76

For 1975-76, \$16 million was budgeted and appropriated for open-space subventions to cities, counties and school districts. The amount was intended to fund all claims which were estimated to be \$12 million for cities and counties and \$4 million for school districts. However, total claims were about \$17.9 million. Actual claims for school districts were \$6.5 million and claims for cities and counties were \$11.4 million. Existing law provides that school districts receive first priority for the subventions, with cities and counties receiving a pro-rata share of the balance of subventions available. The law also provides that the 1975-76 open-space subvention could not exceed 115 percent of the 1974-75 subventions, or a total of \$16,500,000. Therefore, under law, \$500,000 more could be made available for 1975-76 subventions.

Proposed Deficiency Bill

For 1976-77, \$17 million was budgeted and appropriated for open-space subventions to provide \$13 million for cities and counties and \$4 million for school districts. The Department of Finance has revised the estimated amount of subventions for 1976-77 to \$19 million which would provide \$12.5 million for cities and counties and \$6.5 million for school districts, a net increase of \$2 million. The department proposes to fund that \$2 million plus the \$500,000 for 1975-76 (total \$2.5 million) in a deficiency bill this session.

1977-78 Request May Be Inadequate

We defer recommendation on Item 373 until the Department of Education completes its (1) investigation as to the reason for the substantial increase in school district subventions for 1975-76 and (2) preliminary estimate of 1976-77 school district subventions.

The requested amount of \$21 million for 1977-78 may not be sufficient to pay all claims. School district subventions were \$6.5 million in 1975-76

and the amount for 1976-77 will not be known until March or April. School district claims for 1977-78 may well exceed the preliminary estimate of \$7 million.

The Department of Education is reviewing the 1974-75 and 1975-76 school district claims to determine why the amount of claims for the latter fiscal year exceeded estimates by such a large amount. It had been the department's position that the increased qualifying tax rates enacted by Chapter 208, Statutes of 1973, would keep the amount of school district subventions level and might cause a decline. However, the increase may be due to a combination of factors including (1) increase in the amount of land under contract, (2) tax overrides voted by districts and (3) increase in the Controller's factor for assessed valuation.

When the department has completed its 1975-76 subvention review and its preliminary estimate of the 1976-77 subventions, the Legislature will have more complete information to determine the appropriate amount for 1977-78 subventions and to act on a deficiency bill to make more funds available for 1975-76 and 1976-77.

PAYMENTS TO LOCAL GOVERNMENT FOR SALES AND PROPERTY TAX REVENUE LOSS

Item 374 from the General Fund

Budget p. 1002

Requested 1977-78	\$5,686,500
Estimated 1976-77	5,167,000
Actual 1975-76	4,808,665
Requested increase \$519,500 (10.1 percent)	
Total recommended reduction	None

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 budget identifies seven statutes which have ongoing funding requirements and, therefore, need annual Budget Act appropriations. All of the statutes are funded from this single budget item which allows the State Controller flexibility to cover deficits occurring in some statutes with surplus funds from others.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

All increases for other than Chapter 1467, Statutes of 1974, reflect normal workload growth. Chapter 1467, reimbursements increased significantly during the current year due to increased publicity about the higher property tax relief benefits available to undocumented commercial fishing boat owners.

The amounts requested for funding each of the following statutes are consistent with expected 1977-78 changes in program costs.

**PAYMENTS TO LOCAL GOVERNMENT FOR SALES
AND PROPERTY TAX REVENUE LOSS—Continued**

	<i>Estimated 1976-77</i>	<i>Requested 1977-78</i>
Chapter 1467, Statutes of 1974	\$335,500	\$500,000

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

	<i>Estimated 1976-77</i>	<i>Requested 1977-78</i>
Chapter 1405, Statutes of 1974	\$1,700,000	\$1,800,000

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.

	<i>Estimated 1976-77</i>	<i>Requested 1977-78</i>
Chapter 1010, Statutes of 1974	\$33,000	\$37,000

This statute exempts a camp trailer or 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.

	<i>Estimated 1976-77</i>	<i>Requested 1977-78</i>
Chapter 456, Statutes of 1974	\$14,000	\$14,500

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 became exempt from taxation under this statute.

	<i>Estimated 1976-77</i>	<i>Requested 1977-78</i>
Chapter 1169, Statutes of 1973	\$2,980,000	\$3,200,000

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.

	<i>Estimated 1976-77</i>	<i>Requested 1977-78</i>
Chapter 1165, Statutes of 1973	\$68,500	\$80,000

This statute requires that lands governed under a wildlife habitat contract shall be valued as open-space lands.

	<i>Estimated 1976-77</i>	<i>Requested 1977-78</i>
Chapter 16, Statutes of 1973	\$36,000	\$55,000

This measure increases from \$5,000 to \$10,000 of assessed value the property tax exemption for blind veterans residing in corporate-owned residences.

RENTERS' TAX RELIEF

Item 375 from the General Fund

Budget p. 1002

Requested 1977-78	\$125,000,000
Estimated 1976-77	121,000,000
Actual 1975-76	115,065,001
Requested increase \$4,000,000 (3.3 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Renters' Tax Relief program provides a flat grant of \$37 to renters of all ages and at all levels of income. This assistance is disbursed in the form of a "refundable" income tax credit, i.e., the \$37 grant first is used to offset income taxes due, with any amount in excess of the tax liability paid directly to the claimant. Renters who otherwise would not file income tax returns must make a special filing in order to receive a direct tax relief payment. Basic qualification requirements include California residency and occupancy of a rented dwelling as of the March 1 lien date.

Chapter 99, Statutes of 1976, changed the renters' tax credit from a variable amount (ranging from \$25 to \$45) to the current \$37 flat grant. This change is effective with respect to assistance provided for the 1976 tax year (disbursements in fiscal 1976-77). Table 1 compares the number of claimants and total assistance provided under the program for *calendar years* 1973 through 1975. Actual data for the 1976 calendar year will not be available until after the April 15, 1977, deadline for filing tax returns.

**Table 1
History of Renters' Tax Relief Program^a
1973 Through 1975 Calendar Years**

<i>Adjusted Gross Income</i>	<i>Assistance Per Claimant^b</i>	<i>Number of Claimants (thousands)</i>		
		<i>1973</i>	<i>1974</i>	<i>1975</i>
Under \$5,000.....	\$25	682.0	946.8	985.5
\$5,000- 6,000.....	30	205.0	236.9	208.7
6,000- 7,000.....	35	190.3	229.8	212.2
7,000- 8,000.....	40	208.2	220.5	217.2
8,000 and over	45	1,269.2	1,440.3	1,535.4
Total claimants		2,554.7	3,074.3	3,159.0
Amount of Assistance				
Total (millions)		\$94.3	\$111.6	\$116.1
Average		\$36.92	\$36.30	\$36.72

^a Based on Franchise Tax Board's statistical sample of *calendar-year* claims. *Fiscal-year* disbursements for 1973-74, 1974-75, and 1975-76 were, respectively: \$92.3 million, \$110.2 million and \$115.1 million.

^b Based on assistance schedule applicable prior to Chapter 99, Statutes of 1976, which changed renters' relief to a flat \$37, effective with respect to 1976 income year (disbursements in 1976-77).

^c Preliminary.

RENTERS' TAX RELIEF—Continued

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The \$121 million estimated for the Renters' Tax Relief program in 1976-77 and the \$125 million budgeted for 1977-78 assume an average annual growth in the number of claimants for these years of about 3.2 percent. Based on projections of increases in the number of multiple-family housing units and other indicators of growth in the renter population over this period, the budget-year appropriation appears to provide adequate funding for this program. Table 2 summarizes actual data for the 1975-76 fiscal year and estimates of the number of claims and amount of disbursements for the current and budget years.

Table 2
Renters' Tax Relief Program
Summary of Expenditures

	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Proposed</i> 1977-78	<i>Average</i> <i>Annual</i> <i>Growth</i>
Claimants.....	3,176,200	3,270,000	3,380,000	3.2%
Expenditures:				
Total (millions)	\$115.1	\$121.0	\$125.0	3.2%
Average	\$36.23	\$37.00	\$37.00	—

Senior Citizen Renters

The renters' assistance provided senior citizens under Chapter 1060, Statutes of 1976, is discussed in detail on page 1018. It is important to note that renters' tax relief and senior citizen renters' tax assistance are provided under two *separate and unrelated* programs. Qualified senior citizen renters' are eligible for benefits under *both* programs but must file separately for each.

FEDERAL REVENUE SHARING

Item 376 from the Federal
Revenue Sharing Fund

Budget p. 1007

Requested 1977-78	\$215,000,000
Estimated 1976-77	215,000,000
Actual 1975-76	215,000,000
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The State and Local Fiscal Assistance Act of 1972 (general revenue sharing) was enacted on October 20, 1972, with a federal appropriation of

approximately \$30.2 billion for distribution to state and local governments over the five-year period January 1, 1972 to December 31, 1976.

The act was designed to give financial aid to state and local governments which were finding it increasingly difficult to pay for services they provided. The allocation of general revenue sharing among the recipient governments for each entitlement period is made according to statutory formulas using data such as population, general tax effort, and income tax collections.

The State and Local Fiscal Amendments of 1976 was enacted on October 13, 1976, with a federal appropriation of approximately \$25.5 billion for distribution over the four-year period January 1, 1977 to September 30, 1980. No substantive changes were made to the allocation formula. The new law does require recipient governments to hold public hearings on proposed uses of the funds.

Table 1 gives a breakdown of (1) the total federal revenue sharing funds generated and (2) state expenditures made since inception of the program.

It has been the established budget policy of the State of California to utilize its federal revenue sharing funds to help finance school apportionments which will exceed \$2.0 billion in 1977-78. Our discussion of school apportionments is in Program II of the Department of Education budget (Items 283-306).

The \$215 million in the Federal Revenue Sharing Fund is transferred to the General Fund and is ultimately released to the State School Fund for public school apportionments as required.