

**MILITARY DEPARTMENT—Continued**

would allow the department to redirect \$520,000 from support of the five existing sites in order to expand the IMPACT program to two new sites—Glendale and San Diego. Essentially, the ETF monies will be used to “backfill” for this redirection.

*Analyst's Concerns.* We are concerned with this proposal because the availability of ETF monies is questionable for two reasons: (1) the ETP is required by statute to provide funding only for participants who have completed a training program and are placed in private, unsubsidized employment for at least 90 days; and (2) only certain persons are eligible for ETF funding. Specifically, ETF-eligible individuals are those who are:

- Unemployed and receiving Unemployment Insurance (UI) benefits.
- Unemployed but have exhausted their UI benefits within the past year.
- Employed but likely to be displaced and become UI recipients.

In order for the full \$520,000 to be available, the IMPACT program must place 104 participants in the required types of employment for at least 90 days. Currently, the focus of the IMPACT program is broader than this ETP requirement. Placements back in school, in the military, or in public-sector jobs are considered successful completions of the program. Because the IMPACT program has never targeted ETF-eligible individuals before, it is not known whether the program can first, attract these specified participants and second, place them in the required employment.

*Summary.* We question the desirability of expanding the IMPACT program using ETF monies because of the potential that these funds will not be available either because of a lack of qualified participants or failure to place 104 participants in the required type of employment. Therefore, we withhold recommendation on \$520,000 proposed for the IMPACT program pending receipt of the department's plan to support the expansion of the IMPACT program in the event that ETF monies are not available. Furthermore, we withhold recommendation on \$100,000 proposed for a specified study pending receipt of information regarding how the Military Department will coordinate its efforts with the displaced worker units within EDD.

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**SENIOR CITIZENS' PROPERTY TAX ASSISTANCE**

Item 9100-101 (a) from the  
General Fund

Budget p. GG 171

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Requested 1989-90 .....	\$4,300,000
Estimated 1988-89 .....	4,040,000
Actual 1987-88 .....	4,691,000
Requested increase \$260,000 (+6.4 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The Senior Citizens' Property Tax Assistance (SCPTA) program provides partial reimbursement for property taxes paid by low-income

homeowners who are (1) at least 62 years old or (2) totally disabled or blind regardless of age. Assistance varies inversely with income and is calculated as a percentage of the tax on the first \$34,000 of property value, after taking into account the \$7,000 homeowners' property tax exemption. Assistance provided in 1989-90 will be based on taxes paid in 1988-89.

Chapter 1231, Statutes of 1988, (AB 3165, Klehs) increased by 10 percent the allowable income for each percentage level of assistance, effective with payments in 1989-90. Assistance will vary from 96 percent of the tax for homeowners with incomes of \$3,300 or less to 4 percent of the tax for those with incomes between \$12,650 and \$13,200.

## ANALYSIS AND RECOMMENDATIONS

### *We recommend approval.*

The budget proposes an appropriation of \$4.3 million for the SCPTA program in 1989-90, which is \$260,000, or 6.4 percent, more than the \$4,040,000 that the budget estimates will be spent on the program in the current year. Since 1983-84, spending for the SCPTA program has *decreased* by about 16 percent annually, primarily because the number of participants has declined as a result of inflation. This happens in two ways. First, rising income levels result in fewer elderly and disabled people remaining within the program's fixed maximum allowable income level (which was \$12,000 prior to enactment of Chapter 1231). Second, fewer eligible persons apply for assistance as their incomes approach the maximum level and benefits decrease to a minimal amount (about \$12 at the maximum income level). Table 1 shows recent trends in program participation and costs.

**Table 1**  
**Senior Citizens' Property Tax Assistance**  
**1985-86 through 1988-89<sup>a</sup>**

	<i>Actual</i> 1985-86	<i>Actual</i> 1986-87	<i>Actual</i> 1987-88	<i>Estimated</i> 1988-89
Number of Claimants:				
Senior .....	66,203	55,167	48,865	41,365
Disabled .....	<u>4,535</u>	<u>3,737</u>	<u>3,522</u>	<u>3,049</u>
Totals .....	70,738	58,904	52,387	44,414
Total Assistance (in thousands) .....	\$6,377	\$5,314	\$4,652	\$3,714 <sup>b</sup>
Per Claimant Averages:				
Household income .....	\$7,210	\$7,200	\$7,216	\$7,433
Property taxes .....	\$277	\$284	\$295	\$305
Assistance:				
Amount .....	\$90.15	\$90.21	\$88.80	\$83.60
Percent of taxes .....	32.5%	31.7%	30.1%	27.4%

<sup>a</sup> Source: Franchise Tax Board. Detail may not add to totals due to rounding.

<sup>b</sup> Full-year estimate based on actual claims approved as of December 1988. The Governor's Budget shows an earlier estimate of \$4,040,000.

In 1989-90, however, changes made by Chapter 1231 will increase program costs for the following reasons:

- The amount of assistance will increase for most income levels. For example, the payment to participants with an income of about \$7,400 (the average income of claimants in the current year) will increase by about one-third, from about \$92 to \$122.

**SENIOR CITIZENS' PROPERTY TAX ASSISTANCE—Continued**

- More people will be eligible because the maximum income level will increase from \$12,000 to \$13,200.

The Franchise Tax Board, which administers the SCPTA program, estimates that the changes made by Chapter 1231 will increase the program's cost by about \$900,000 in 1989-90, compared with what the program's cost would otherwise be based on a continuation of past trends. The budget request for \$4.3 million in 1989-90 includes this \$900,000 cost increase and appears reasonable in light of the past trends. Starting in 1990-91, however, the past downward trend of program participation and costs should resume.

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**SENIOR CITIZENS' PROPERTY TAX DEFERRAL**

Item 9100-101 (b) from the  
General Fund

Budget p. GG 171

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Requested 1989-90 .....	\$7,600,000
Estimated 1988-89 .....	7,500,000
Actual 1987-88 .....	7,000,000
Requested increase \$100,000 (+1.3 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The Senior Citizens' Property Tax Deferral (SCPTD) program allows eligible homeowners to postpone payment of all or a portion of the property taxes on their residence, with the state paying local governments on their behalf. The state places a lien on the property to assure repayment when the property is sold or transferred. In effect, the state loans the property tax payments to the homeowner until the property is sold. Interest is charged on the amount of deferred taxes at the rate earned by the Pooled Money Investment Account during the year preceding the tax deferral. Eligible homeowners must be at least 62 years old or blind or totally disabled. The appropriation in this item is to the State Controller's Office (SCO), which administers the program and uses these funds to pay property taxes to local governments on behalf of the program's participants.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes an appropriation of \$7.6 million for the SCPTD program in 1989-90. This is an increase of \$100,000, or 1.3 percent, from current-year estimated expenditures of \$7.5 million. Current-year expenditures for new property tax deferrals, however, will be slightly less, \$7.4 million, according to the SCO. The remaining \$100,000 is needed to pay claims carried over from the prior year. Consequently, the budget request for \$7.6 million in 1989-90 will provide an increase of \$200,000, or about 3 percent, for new property tax deferrals. This is the same percentage growth as experienced in the current year. According to

information provided by the SCO, about 9,700 homeowners participate in the program, and the average amount of property taxes deferred in 1988-89 will be about \$760.

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### SENIOR CITIZEN RENTERS' TAX ASSISTANCE

Item 9100-101 (c) from the  
General Fund

Budget p. GG 172

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Requested 1989-90 .....	\$18,600,000
Estimated 1988-89 .....	17,560,000
Actual 1987-88 .....	21,116,000
Requested increase \$1,040,000 (+5.9 percent)	
Total recommended reduction .....	None

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#### GENERAL PROGRAM STATEMENT

The Senior Citizen Renters' Tax Assistance (SCRTA) program provides tax relief in the form of payments to low-income renters who are (1) at least 62 years old or (2) totally disabled or blind regardless of age. Assistance varies inversely with income and assumes that all renters pay the equivalent of \$250 in annual property taxes. Payments are calculated as a percentage of this \$250 amount.

Chapter 1231, Statutes of 1988, (AB 3165, Klehs) increased by 10 percent the allowable income level for each percentage level of assistance, effective with payments in 1989-90. Assistance will vary from \$240 (96 percent of \$250) for persons with incomes of \$3,300 or less, to \$10 (4 percent of \$250) for persons with incomes between \$12,600 and \$13,200.

#### ANALYSIS AND RECOMMENDATIONS

##### *We recommend approval.*

The budget proposes an appropriation of \$18.6 million for the SCRTA program in 1989-90. This is \$1 million, or 5.9 percent, more than the \$17.6 million that the budget estimates will be spent on the program in the current year. Since 1983-84, spending for the SCRTA program has *decreased* by about 14 percent annually, primarily because the number of participants has declined as inflation raised incomes and reduced both the number of people who could qualify and the amount of the average payment. Table 1 shows recent trends in program participation and costs.

Both the SCRTA program funded in this item and the Senior Citizens' Property Tax Assistance (SCPTA) program discussed above (please see Item 9100-101 (a), p. ) have the same income limitations and share the same schedule that provides a decreasing percentage payment with increasing income levels. Chapter 1231 makes identical changes in the income limitation and payment schedule for both programs. These changes will increase program costs in 1989-90 by (1) increasing the percentage payments to currently eligible persons, and (2) expanding the pool of eligible persons through raising the income limitation from \$12,000 to \$13,200.

**SENIOR CITIZEN RENTERS' TAX ASSISTANCE—Continued**

**Table 1**  
**Senior Citizen Renters' Tax Assistance**  
**1985-86 through 1988-89<sup>a</sup>**

	<i>Actual</i> 1985-86	<i>Actual</i> 1986-87	<i>Actual</i> 1987-88	<i>Estimated</i> 1988-89
Number of Claimants:				
Senior .....	164,269	151,591	137,231	121,091
Disabled.....	65,423	60,923	61,556	57,326
Totals .....	229,691	212,514	198,787	178,417
Total Assistance (in thousands) .....	\$28,876	\$24,696	\$21,116	\$17,341 <sup>b</sup>
Per Claimant Averages:				
Household income.....	\$6,338	\$6,523	\$6,688	\$6,924
Assistance .....	\$126	\$116	\$106	\$97

<sup>a</sup> Source: Franchise Tax Board. Detail may not add to totals due to rounding.

<sup>b</sup> Full-year estimate based on actual claims approved as of December 1988. The Governor's Budget shows an earlier estimate of \$17,560,000.

The Franchise Tax Board, which administers both the SCRTA and SCPTA programs, estimates that the changes made by Chapter 1231 will increase the SCRTA program's cost by about \$3.6 million in 1989-90, compared with what the program's cost otherwise would be based on a continuation of past trends. The budget request for \$18.6 million in 1989-90 includes this \$3.6 million cost increase and appears reasonable in light of past trends. Starting in 1990-91, however, the past downward trend of program participation and costs should resume.

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**HOMEOWNERS' PROPERTY TAX RELIEF**

Item 9100-101 (d) from the  
 General Fund

Budget p. GG 172

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Requested 1989-90 .....	\$357,727,000
Estimated 1988-89 .....	350,713,000
Actual 1987-88 .....	344,221,000
Requested increase \$7,014,000 (+2.0 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The State Constitution grants a \$7,000 property tax exemption on the the assessed value of owner-occupied dwellings, and requires the state to reimburse local governments for the resulting tax loss. This item provides funds for these constitutionally required reimbursements.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes expenditures of \$357.7 million for Homeowners' Property Tax Relief in 1989-90. This is an increase of \$7 million, or 2 percent, above estimated current-year expenditures of \$350.7 million.

**Table 1**  
**Homeowners' Property Tax Relief**  
**1985-86 through 1988-89**

	<i>Actual</i> 1985-86	<i>Actual</i> 1986-87	<i>Actual</i> 1987-88	<i>Estimated<sup>a</sup></i> 1988-89
Claimants (thousands) .....	4,319	4,390	4,466	4,547
Percent change from prior year .....	1.34%	1.63%	1.73%	1.82%
Tax reimbursement (millions) .....	\$333.8	\$338.9	\$344.2	\$350.2
Percent change from prior year .....	0.58%	1.51%	1.57%	1.74%
Average tax benefit .....	\$77.29	\$77.20	\$77.08	\$77.02
Percent change from prior year .....	-0.8%	-0.1%	-0.2%	-0.1%
Property tax rate <sup>b</sup> .....	1.096%	1.083%	1.078%	1.077%
Percent change from prior year .....	-1.20%	-1.19%	-0.46%	-0.08%

<sup>a</sup> Legislative Analyst's Office estimate; based on data from the State Controller's Office and the Board of Equalization.

<sup>b</sup> Includes debt service.

Table 1 displays information on this program from 1985-86 through the current year. As shown in Table 1, an estimated 4.5 million claimants currently participate in the program, an increase of 1.8 percent over the number of participants in 1987-88. Likewise, program costs also are expected to increase by 1.7 percent in the current year, to an estimated \$350.2 million, based on current payments by the State Controller's Office. The administration's estimate of \$350.7 million in the current year is \$500,000 higher than our estimate. Since 1985-86, as Table 1 shows, the annual percentage growth in claimants and the total amount of state reimbursements has increased slightly each year, reflecting increases in homeownership. Current expectations are for a continuation of the recent level of housing construction. Consequently, the 2 percent growth rate on which the budget request is based appears reasonable.

**OPEN-SPACE PAYMENTS TO LOCAL GOVERNMENTS**

Item 9100-101 (e) from the  
General Fund

Budget p. GG 172

Requested 1989-90 .....	\$14,600,000
Estimated 1988-89 .....	14,600,000
Actual 1987-88 .....	14,047,000
Requested increase—None	
Total recommended reduction .....	None

**GENERAL PROGRAM STATEMENT**

Existing law requires the state to provide replacement revenue to cities and counties to compensate them for reduced property tax revenues on open-space and agricultural land subject to certain restricted-use contracts. The Secretary of the Resources Agency, through the Department of Conservation, administers this subvention program.

Under the California Land Conservation Act of 1965 (the Williamson Act), cities and counties may enter into contracts with landowners to

**OPEN-SPACE PAYMENTS TO LOCAL GOVERNMENTS—Continued**

restrict the use of property to open-space or agricultural purposes. In return for the restriction, the landowner pays a reduced amount of property tax because the land is assessed at less than its market value. The amount of the state subvention is based on the amount and type of land under contract, rather than the actual reduction in property tax revenues. The subvention ranges from a maximum of \$8 per acre, for "prime" land located in or within three miles of an incorporated city with a population of at least 25,000, down to a minimum of 40 cents per acre for "nonprime" land (generally marginal rangeland) regardless of location.

Each contract runs for 10 years and is automatically renewed each year unless the landowner or local government objects. There is no state subvention for contracts that are not renewed, and the tax on nonrenewed land gradually returns, over a 10-year period, to the level at which comparable unrestricted land would be taxed. Local governments also may grant a landowner's request to cancel a contract. If granted, cancellation requires the landowner to make a substantial payment to the state, generally about 13 percent of the full market value.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes an appropriation of \$14.6 million for open-space payments to local governments in 1989-90, which is the same as current-year estimated expenditures. Current-year expenditures consist of about \$14.5 million for 1988-89 subventions and \$76,000 to pay an adjustment to Contra Costa County for prior-year claims. The Department of Conservation does not anticipate any major changes in 1989-90 in either the total amount of acreage subject to Williamson Act contracts or in the amount of acreage within each payment category. Consequently, regular subvention payments in 1989-90 should continue to be roughly \$14.5 million. The budget request for \$14.6 million would fund this level of subventions and provide a reserve of about \$100,000 for potential adjustments, reclassifications of land into higher payment categories, or acreage additions resulting from new contracts.

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**RENTERS' TAX RELIEF**

Item 9100-101 (f) from the  
General Fund

Budget p. GG 172

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Requested 1989-90 .....	\$490,000,000
Estimated 1988-89 .....	481,000,000
Actual 1987-88 .....	471,856,000
Requested increase \$9,000,000 (+1.9 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The Renters' Tax Relief Program provides a "refundable" tax credit to Californians who rent their principal place of residence as of March 1.

The credit is applied first to any income taxes due, with any balance paid directly to the renter. Persons with no income tax liability must file a return to receive the tax relief payment. The amount of the credit is \$60 for single renters; \$137 for married couples, heads of households, and surviving spouses; \$69 for married persons filing separately, and \$99 for heads of households with joint custody of their children. The annual budget appropriation for this program funds both the revenue loss due to the reduction of tax liability and the payments in excess of tax liability.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget estimates that the cost of the Renters' Tax Relief Program will be \$490 million in 1989-90, an increase of 1.9 percent over the estimated current-year cost of \$481 million. The estimate of the current-year cost, most of which will be incurred when 1988 tax returns are processed, also reflects a growth of 1.9 percent over the actual cost of the program in 1987-88. The annual percentage growth in spending for Renters' Tax Relief has exhibited considerable variation. The budget estimate of 1.9 percent growth is roughly in the middle of the recent historical range and appears reasonable.

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**SUBSTANDARD HOUSING**

Item 9100-101 (g) from the  
General Fund

Budget p. GG 173

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Requested 1989-90 .....	\$278,000
Estimated 1988-89 .....	212,000
Actual 1987-88 .....	126,000
Requested increase \$66,000 (+31 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The Substandard Housing program provides funds to local agencies to augment housing code enforcement and rehabilitation activities.

Existing law disallows certain income tax deductions for rental housing that is found to violate housing codes. The additional tax revenues generated by these disallowances are transferred from the General Fund to the Local Agency Code Enforcement and Rehabilitation Fund (LAC-ERF). The State Controller distributes these funds to the cities and counties in which the code violations occurred, to be used for code enforcement, housing rehabilitation and related activities. Generally, two fiscal years elapse between the time when housing code violations are reported and when the additional tax revenues generated by these violations are distributed to local governments.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

**SUBSTANDARD HOUSING—Continued**

The budget requests \$278,000 from the General Fund for transfer to the Substandard Housing program in 1989-90, an increase of 31 percent from the current year. The requested amount reflects the actual amount of revenues from disallowed tax deductions collected in 1987-88, as reported by the Franchise Tax Board (\$334,201), less the board's estimated administrative costs of the program of about \$56,000. Essentially all of the increase in disallowances for 1987-88 resulted from violations cited by the Los Angeles City Department of Building and Safety.

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**LOCAL GOVERNMENT FINANCING**

Item 9210 from the General Fund

Budget p. GG 173

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Requested 1989-90 .....	\$15,000,000
Estimated 1988-89 .....	15,300,000
Actual 1987-88 .....	None
Requested decrease \$300,000 (-2.0 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

Chapter 1286, Statutes of 1987 (AB 650, Costa), established a new program—the County Revenue Stabilization Program—to provide fiscal relief to “distressed” county governments. Specifically, the program is intended to stabilize the percentage of county general purpose revenues (GPR) which must be expended for the county share of costs associated with four state programs, beginning in 1988-89.

For 1989-90, payments will be made to offset “disproportionate” county costs that were incurred in 1987-88. Specifically, if a county’s ratio of costs for the four programs to its GPR was higher in 1987-88 than it was in 1981-82, the state will provide increased assistance to offset the difference. Thus, state assistance is provided on a “lagged” basis. The county program costs eligible for reimbursement under this program include the Aid to Families with Dependent Children program (exclusive of Foster Care), the In-Home Supportive Services program, the Community Mental Health program, and the Food Stamps program.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget requests an appropriation of \$15 million from the General Fund to fund the County Revenue Stabilization program in 1989-90. This is a reduction of \$300,000, or 2 percent, below 1988-89 expenditures.

Based on preliminary estimates of 1987-88 program expenditures, it appears that at least several million dollars more than the amount requested would be required to fully stabilize program expenditures in the manner contemplated by the statutory formulas. However, because Chapter 1286 limits the total amount that must be allocated to \$15 million