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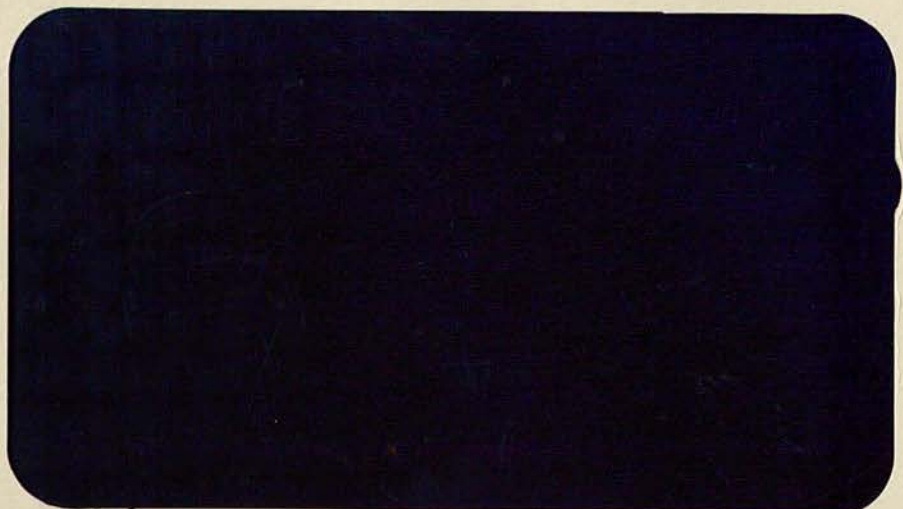
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THE EFFECTS OF PROPOSITION 13 ON SMALL CITY
REVENUES AND EXPENDITURES

by

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Working Paper No. 84-1

ABSTRACT

Data from the 1969-1982 issues of the Annual Report: Financial Transactions Concerning Cities of California have been computerized to provide detailed records of revenues and expenditures of 57 "rural" incorporated cities in California with populations under 10,000. In addition to examining this data, we provide a comprehensive literature review and statement of California's property tax law, which was passed by the state's voters on June 6, 1978. Three aspects of Proposition 13 are examined:

- (1) The changing composition of revenues and expenditures, both before (1969-1978) and after (1978-1982), Proposition 13.
- (2) The degree to which revenues and expenditures have changed as a result of Proposition 13 (in terms of real and nominal dollars per capita).
- (3) The current trends and prospects facing small cities in providing public services in light of Proposition 13.

With regard to the composition of funds, we show a greater reliance on "own-source revenues" and a declining dependence on federal revenue sharing and state and federal grants. Local governments have been quick to augment "current service charges" which now represent the largest source of revenues for small communities. Despite these efforts, equally hurtful to these communities (in addition to the loss in property tax funds) has been the concomitant decline in state and federal grants. In fact, state and federal grants have remained low while the revenue from property taxes has rebounded since 1978.

Expenditure patterns have changed significantly since Proposition 13. In particular, investments in capital outlays have decreased relative to operating expenses. But the relative decline in capital outlays now matches the proportion which was spent in the early 1970's. Thus, the impact of Proposition 13 may have been to slow a trend towards growing expenditures for capital building and equipment. Expenditures on public safety and works have become relatively more important in small city expenditure patterns.

With regard to changes in per capita revenues and expenditures, we relied upon an econometric model using dummy variables to sort out the effects of Proposition 13 over time. The results show moderate trouble ahead for local governments which appear to be spending more than they take in. Real per capita revenues declined sharply with Proposition 13 while real per capita expenditures hardly changed.

Extrapolations from our model indicated that substantial deficits can be expected in the local government financial picture for numerous small cities. Although local governments have raised "current service charges", enough to compensate for the loss in property tax revenues (and although the tax revenues have increased in recent years as a share of total revenues), the expenditure pattern continues unabated. Without remedial measures to cover public service expenses, community deficits will mount in coming years.

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INTRODUCTION

Proposition 13

June 6, 1978 marked an historical change in California community finance when the state's voters passed by a wide margin Proposition 13, the Jarvis-Gann Initiative. This measure restricted the state's property tax rate to a maximum of one percent of assessed market value rolled back to the market values recorded in fiscal year 1975-76 and limited the annual reassessments to a 2 percent increase, except for transfer of ownership and new construction. It meant a cut in property taxes to both homeowners and businesses and reduced local property tax revenue by \$6.4 billion in its first year; nearly 60 percent below what they otherwise would have been (California, State Legislature, June 23, 1978). The revenue losses alone raised serious concern as to the ability of local governments to provide public services as before. Numerous emergency meetings were held to plan coping strategies and ways to save jobs. If it wasn't for Senate Bill 154 and a \$4 billion surplus "bail-out" fund available in California's coffers, numerous local governments would have been drastically limited in spending levels and the ability to continue the employment of thousands of public servants. (California, State Legislature, June 23, 1978). Of course, cuts were still made in a number of expenditure categories, with some communities forced to alter budgets to a considerable degree. And there was the inevitable reduction of the "bail-out" fund. All combined, communities would be forced to carefully plan and to create new fiscal measures for the future.

While the aftermath of Proposition 13 continues to be worked out and remains as a leading state issue, few quantitative assessments have been made of its economic impact in the State's cities. There is no clear picture of the emerging patterns in revenues and expenditures nor of the fiscal changes

adopted by communities. Previous studies have been primarily of a general survey type and qualitative nature (a subject we look at below) with little in terms of quantitative assessment.

Study Objectives

This study attempts to assess the impact of Proposition 13 on a particular set of communities, i.e., relatively small incorporated rural cities of California. After a brief review of the literature on the subject of Proposition 13, the bulk of the study examines the extent to which revenue and expenditure patterns were altered since the enactment of this law. It shows the emerging composition of revenues and expenditures which, in turn, highlights current trends. This study also develops a model which examines the degree to which revenues and expenditures have changed in terms of real and nominal dollars. Both the model and the analysis of fiscal patterns are used for examining the following issues:

1. What were the trends for revenues, expenditures, and property taxes before the passage of Proposition 13? Were prospects bright at this time in both nominal and real dollars? How important was the property tax relative to other sources of revenue? From an analysis of these trends, we will know if the property tax law affected the stability of the structure of local governments.
2. How did the enactment of Proposition 13 alter previous patterns in revenues and expenditures? This must be answered in two parts. Before Proposition 13, state grants (and federal grants not including Federal Revenue Sharing) were used primarily by cities for capital projects and not for their day-to-day operations. However, after Proposition 13, additional state grants from "bail-out" funds were apparently needed by cities for their day-to-day operations.

Did the available grants of state aid go primarily to maintain the day-to-day operations of small cities? And to what extent were future building capital outlays reduced? Our inquiry will show us the extent to which past patterns for capital outlays and operating expenditures were maintained. We will also know to what extent local governments were able to successfully maintain a significant level in both revenues and expenditures, despite the immediate reduction in property tax.

The last part of the analysis is based on extrapolations of past trends. Here we are interested in the future and the ability of local governments to match revenues and expenditures for public services. Are small, incorporated cities becoming more indebted and less fiscally solvent than before?

Previous Work

Several researchers have studied some of the general impacts caused by the passage of Proposition 13. The program evaluation unit of the Department of Finance sent a questionnaire to all state municipalities of California (372 responded out of approximately 425) asking each to compare its actual 1977-78 revenue and expenditures data with its budgeted data for fiscal year 1978-79 (the first year of Proposition 13). The cities that reported, expected a drop of 9.3 percent in revenue between the two fiscal years listed. The evaluation unit also looked at the new expected revenue mix and at the expected changes in municipal expenditures, especially where government services would be scaled down or eliminated completely (California's Department of Finance, January 1979). But most of these efforts were purely conjectural because of the existence of state "bail-out" funds and uncertainty

about revenue trends from the federal government. Another study, reported in Cal-Tax Research Bulletin No. 12 (October 1978), assessed the first four months of fee activity after Proposition 13 was passed. It covered 405 cities, all 58 counties, and 69 of the 700 special districts and revealed that: (1) fees and taxes had increased \$100 million since June 6; (2) business license taxes in the 26 largest cities had increased \$6 million; and (3) planning and development fees had been raised by \$21 million. All of this activity occurred within 120 days after Proposition 13 was voted on and passed (Angel).

Alvin D. Sokolow and Joan Hogan of the Institute of Government Affairs at the University of California, Davis studied small cities in California having populations of under 10,000. They looked at many aspects of local government, and this included how small cities were affected by Proposition 13. Here are examples of some of their appraisals:

(1) Willows -population 4,777 (1980). Major financial impact on city. . .much deferred maintenance, will have to make drastic cuts in operations within a year. . .initial cuts in services (some later restarted), including library hours, recreation, park maintenance, street lighting.

(2) Williams - population 1,655 (1980). Increased inability to replace public works employees who resign, department reduced from nine to four employees in two years. . .sewer fees were increased (Sokolow, August 1980).

Another study prepared by Conard Jamison (1982) compares the total expenditure and revenues in California before and after Proposition 13. According to this report total expenditure by state and local government in California increased from \$38.4 billion in the fiscal year 1978-79, the first year of passage of Proposition 13, to \$44.5 billion in fiscal year 1979-1980,

the second year under the measure. In fiscal year 1977-78, just before Proposition 13, California ranked 15th among the states with respect to total expenditures by state and local government per \$1,000 of personal income. In fiscal 1978-79, under Proposition 13, California moved down to 28th place among the states. The report shows that the effect of Proposition 13 upon expenditure by state and local government in California was considerably less than its impact upon revenue. Large surpluses had been built up prior to the passage of Proposition 13, and these were drawn upon to sustain the level of expenditure after Proposition 13 went into effect. Between fiscal 1977-78 and fiscal 1978-79, total general expenditures by state and local government increased by \$604 million, or 1.6 percent. In the same interval, total general revenue showed a net decline of \$2.1 billion, or 5 percent. Table 1 shows the net change of revenue and expenditures for three fiscal years before and after Proposition 13, according to the Jamison report.

Table 1. Net Change in Revenue and Expenditure for State and Local Governments in California

	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>
Total general expenditure (billions)	+\$4.4	+\$0.6	+\$6.1
Total general revenue (billions)	+\$5.2	-\$2.1	+\$6.5
Total general expenditures	+13.2%	+1.6%	+16.0%
Total general revenue	+14.4%	-5.0%	+16.5%

Source: Conard C. Jamison, "Before and After Proposition 13: Expenditure by State and Local Government in California," March 1982.

In another report prepared by Senate Office of Research ("Perspectives on State and Local Finance") a detailed description of the revenues and expenditure status of cities, counties and special districts in the year prior

to Proposition 13 and in succeeding years are provided. The report showed that:

- city general purpose revenue has declined an inflation adjusted 9.1 percent between 1977-78 and 1983-84.
- city reliance upon the state for general purpose revenues has declined since 1977-78: state subventions made up 12 percent of city general purpose revenues in 1977-78, and 6 percent in 1983-84.
- city expenditures for public safety have increased more rapidly than any other expenditure category. Most categories have suffered a real (inflation-adjusted) decline in support.

LOCAL GOVERNMENTS OF CALIFORNIA

Since the above studies, few analytical approaches have been undertaken to ascertain the effects of Proposition 13 on finances of local communities. Besides the Sokolow and Hogan study, we know of no other study of Proposition 13 effects on small, incorporated cities of California. The importance of these communities is highlighted in Table 2. It shows the relative position of cities with populations under 10,000 compared to other population groups.

Cities with under 10,000 people are the largest number spread throughout the state and cover a wide range of different socioeconomic conditions. Over a third are rural, with a relatively heavy base of economic activity derived from agriculture. Another third are incorporated within large Standard Metropolitan Statistical Areas like San Diego, Los Angeles, San Francisco, Sacramento, Bakersfield and Fresno. The rest of the cities fit somewhere in-between being "rural" or cosmopolitan in character. All small communities

Table 2. Cities of California and Percentage of State Revenues and Expenditures by Population Group, 1982

<u>Group Classification</u>	<u>Number of Cities in Group Classification</u>	<u>Percentage of Cities in Each Group</u>	<u>Percentage of</u>	
			<u>Revenues</u>	<u>Expenditures</u>
Under 10,000	162	37.8	4.3	4.0
10,000 - 25,000	97	22.6	5.8	5.8
25,001 - 50,000	81	18.9	10.8	10.7
50,001 - 100,000	63	14.7	18.0	17.4
100,001 - 250,000	20	4.6	15.9	16.1
over 250,000	6	1.4	45.2	46.0
Total	<u>429*</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: State Controller Annual Report of Financial Transactions Concerning Cities of California, Sacramento, 1981-82.

*The City and County of San Francisco is not included in this total.

fall short of attaining economies of scale in terms of local government administration and services. Many of the smallest rural communities of less than 5,000 population cannot maintain a fully paid local government office or manager of services. They, therefore, derive support, such as police and fire protection, from the county and/or local volunteer groups. On the other hand, many of the small cities are experiencing, for the most part, a resurgence in population growth, attributed to the growing numbers of retirement age people and many others who prefer a small city lifestyle.

Overall, what makes the group of smallest cities particularly important, is the fact that they represent a large cross-section of California people and communities. Because they lack size, both in terms of population and economic wealth, they may not be able to respond as quickly and professionally to measures like Proposition 13. From this study we can learn more about the

general economic status of the majority of California's cities, the impact of Proposition 13, and the policy implications of future and similar measures.

RESEARCH PROCEDURE

Sample Cities

Fifty-seven, small, incorporated cities in California were chosen for this study by the following criteria (see Appendix I for list and population figures). First, all cities with populations of 10,000 or under (as of the 1980 Census) were considered. Second, cities with populations under 500 persons were ignored, primarily because of the difficulty of obtaining data. Third, cities which were not incorporated were also dropped, mainly because of their dependence upon state and county support of services with relatively less in the way of local decision-making. Fourth, cities with special characteristics (resorts, military bases, etc.) were excluded as well as those that were very "urban" and indistinguishable communities very near or within large SMSAs. For this study we sought cities which depend more upon their own resources (generated locally) and with a population base big enough to support an effective local government structure.

Data Set

The secondary data used in this study was retrieved from all issues of the annual report: Financial Transactions Concerning Cities of California (California State Controller), covering fiscal years 1969-1970 to 1981-82. This report includes a detailed quantitative description of revenues and expenditures for every incorporated city in California for each fiscal year. (A copy of examples are given in Appendix II). This is the only reasonable and consistent data set to use for this type of study. It should be noted, however, that the system used by the State Controller's Office for reporting

the revenues and expenditures categories was significantly modified in 1981-82. Consequently, it was necessary to consult the State Controller's Office to make the 1981-82 data comparable with previous years. As indicated below, the data for 1981-82 does not fit particularly well with previous trends. Although we made every effort to have comparable data, we are not exactly sure why 1981-82 poses an inconsistent factor in the analysis below.

Definitions for Revenue and Expenditure Categories

Before discussing the trends and composition of revenues and expenditures of the cities, it would be useful to look at the categories of revenues and expenditures during the years of our study (see Appendix II). Expenditures are separated into expenses (day-to-day operations) and outlays (capital expenditures). Revenues are separated into general revenue (those revenues of the city that cannot be associated with a specific expenditure function) and functional revenue (those revenues that can be associated with and allocated to one or more expenditure functions).

Some of the categories for revenues and expenditures have been grouped together. For revenues we have the following categories:

- (1) "Taxes" refers to property tax, transient lodging taxes, business license taxes, etc.;
- (2) "Licenses and permits" refers to animal licenses, construction permits, etc.;
- (3) "Fines and penalties" refers to vehicle code fines, other fines;
- (4) "From other agencies" refers to alcoholic beverages fees, cigarette taxes, etc.;
- (5) "Current service charges" refers to zoning fees, subdivision fees, parks and recreation, etc.; and

- (6) "Other revenue" refers to sale of property, contribution from city owned enterprises.

For expenditures we used the following terms:

- (1) "General Government" refers to legislative, management and support, etc.;
- (2) "Public Safety" refers to animal regulation, building regulation, etc.;
- and
- (3) "Public Works" refers to street work, parking facilities, etc.

A more complete breakdown of each category can be found from the samples of the data sheet for years 1969-1981 and 1981-82 included in Appendix IIa-d.

GENERAL TRENDS

Table 3 shows the revenues and expenditures and net revenue for the 57 cities in California in nominal terms, from 1969-1970 to 1981-82. According to this data for small, incorporated cities of California, there has been a steady growth in revenues and expenditures since 1969. This growth, however, is deceptive because the data is unadjusted for inflation and population growth, i.e., the real purchasing power of the dollar per capita over time. Note, however, that for 1978-79 and 1979-1980, two years after Proposition 13, revenue was nearly constant (\$86.1 million in 1978-79 and \$86.8 million in 1979-1980). For 1980-81 and 1981-82 there was a big jump in revenue. By 1981-82 local governments had increased revenue significantly above planned levels of expenditures, leaving the highest net revenue recorded since 1969 (\$14.4 million). But during this same period (following Proposition 13), inflation was rampant, as much as 14 percent per annum. Thus, in real value terms, revenues and expenditures hardly changed over the

Table 3. Total Unadjusted Revenue and Expenditure (57 cities)
1969-1982

	<u>Revenue</u>	<u>Expenditures</u>	<u>Net Revenue</u>
1969-70	23,317,600	23,189,900	127,700
1970-71	24,973,200	24,549,100	424,100
1971-72	29,555,900	27,872,300	1,683,600
1972-73	36,920,900	32,174,600	4,746,300
1973-74	40,605,400	38,310,300	2,295,100
1974-75	47,385,400	47,107,900	277,500
1975-76	61,463,200	58,264,700	3,198,500
1976-77	64,184,500	58,830,100	5,354,400
1977-78	80,879,700	73,675,000	7,204,700
1978-79	86,082,000	80,154,100	5,927,900
1979-80	86,847,700	81,762,800	5,084,900
1980-81	91,623,400	89,551,100	2,072,300
1981-82	116,085,467	101,658,000	14,427,467

last four years. In the analysis below, we provide charts for trends in both nominal and real terms to examine the real purchasing power of small cities.

SMALL CITY REVENUES

Changing Composition of Revenues 1969-1982

Here we examine some of the changes taking place in small city income and tax collections. In order to compare the revenues of the fiscal year 1981-82 with other years (1969-1981), some adjustment has been made. The city revenue information reflects only city general purpose revenues (as opposed to total revenues). Table 4 shows how the aggregate sample of communities changed

their sources of revenue and their financial allocations over the last decade. In the table, two sets of percentages are calculated for the fiscal year 1981-82: (1) using the same factors used in the annual reports of previous years and (2) using all the revenue factors that have been reported for this year with the State Controller's new method of reporting revenues and expenditures.

Before we examine the data from Table 4, we chart some of the key revenue sources on Figures 1 (in nominal terms) and 2 (in real dollar terms). Both illustrate the sudden dip in property tax funds beginning in 1978. But, more importantly, the figures show: (1) a rebound in property tax revenues in 1979 and (2) a strong and significant decline in revenue from state and federal grants. The top three lines of both figures show the trends in revenues and expenditures and a revenue line which omits state and federal grants. From 1980 and onward, we see expenditures exceeding revenues (a subject we discuss further below). What these lines tend to show is that while the decline in property taxes (due to Proposition 13) had a marked effect (negative) on small city revenues, the relative drop in state and federal grants had an even larger effect.

a) Property Taxes

Returning to Table 4, property taxes were 25.09 percent of total revenues for fiscal year 1969-1970 and were the biggest portion of local government revenue until 1972-73. Property taxes' relative share of revenue dropped substantially in the following years, even before the advent of Proposition 13. The year before Proposition 13 (fiscal year 1977-78) property taxes were only 14.29 percent of total revenue as compared to 25 percent nine years before. After Proposition 13 they were only 7.66 percent of total revenues (fiscal year 1978-79). However, since 1979-1980 property taxes have climbed

Figure 1. Total Revenue, Total Expenditure, Property Taxes, and Revenue Except State and Federal Grants - Nominal

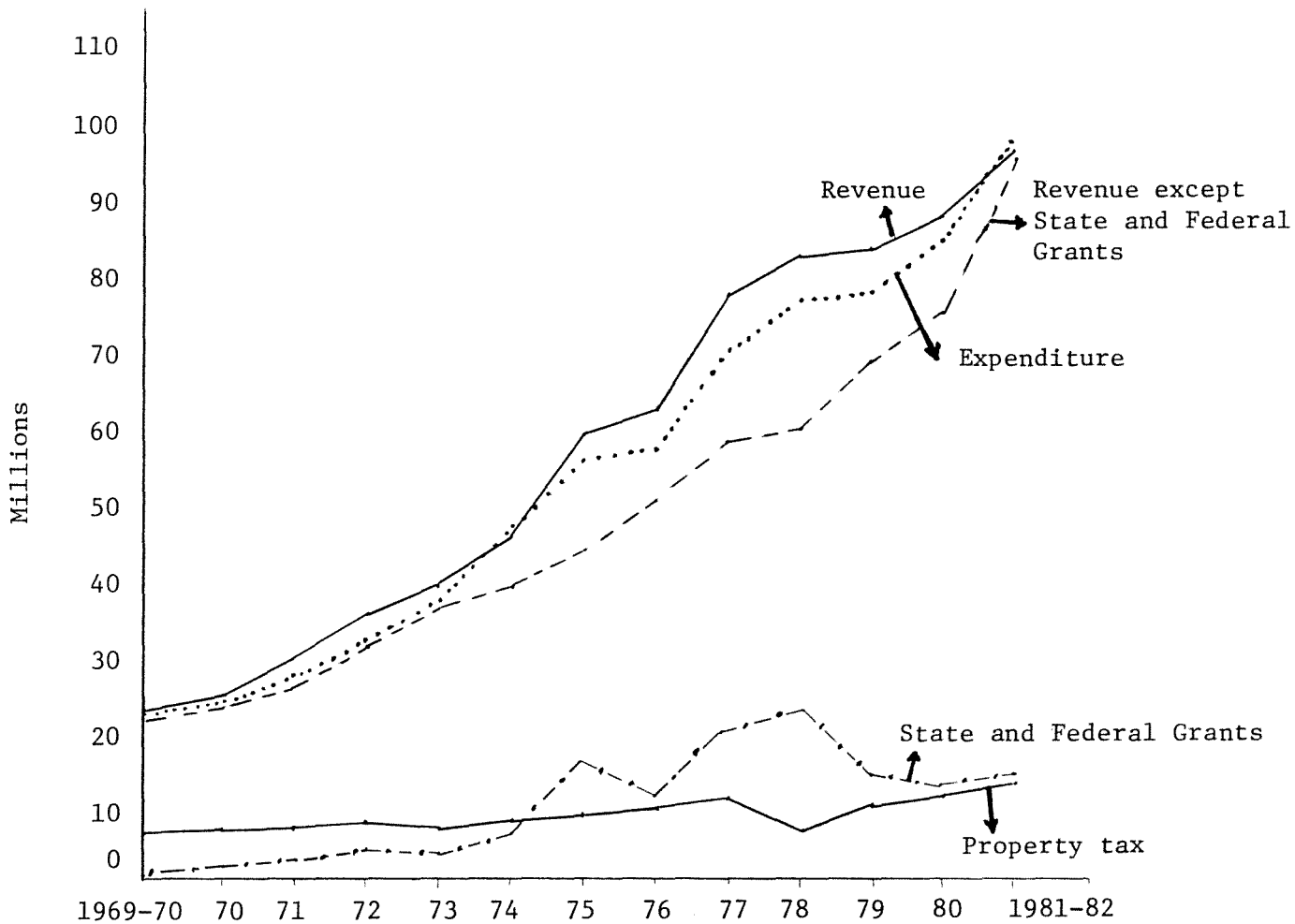


Figure 2. Total Revenue, Total Expenditure, Property Tax, and Revenues Except State and Federal Grants - Real

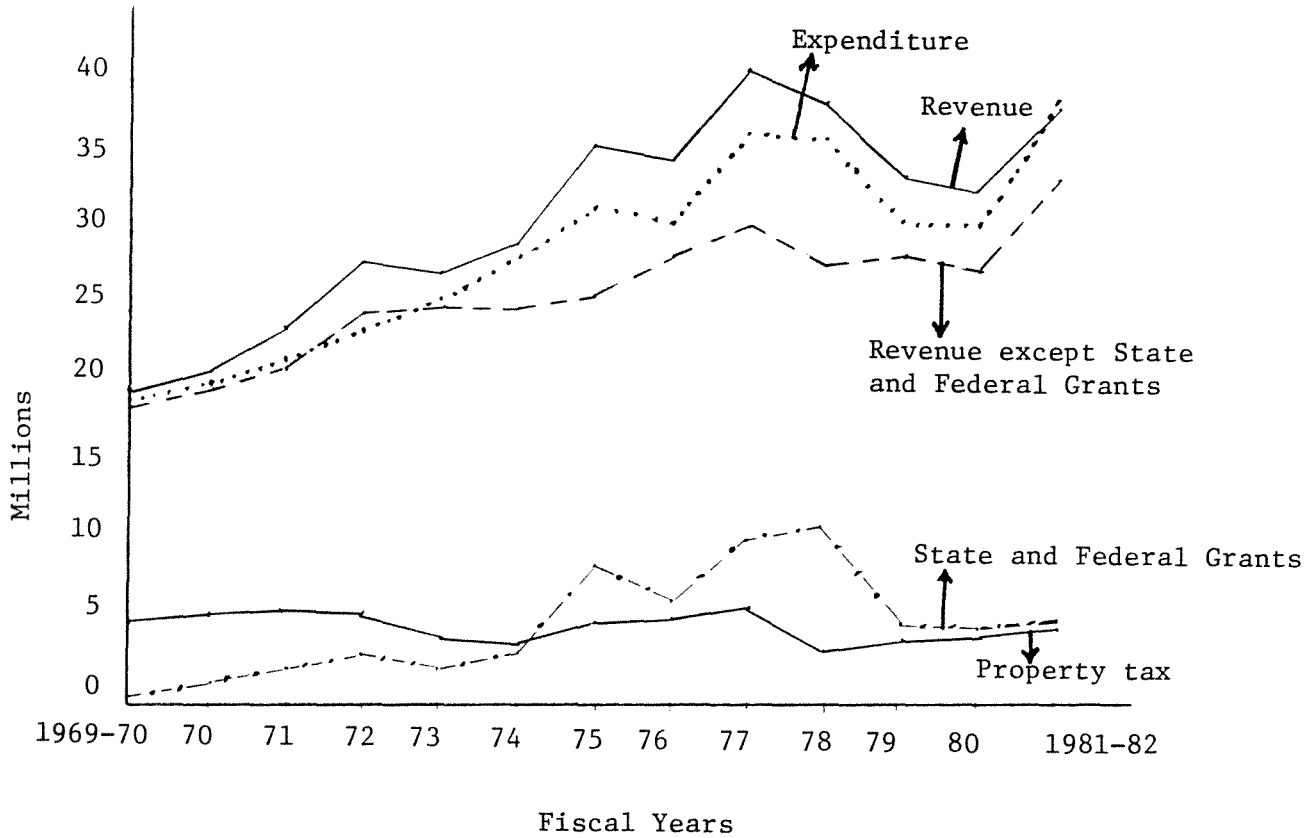


Table 4. Distribution of Revenue, 1970-1982 (N=57)

Type of Revenue	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82 ¹	1981-82 ²
Property Taxes	25.9	24.23	22.23	19.25	16.89	15.87	14.21	15.20	14.29	7.66	11.71	12.88	12.22	12.11
Sales and Use Tax	20.35	19.76	19.54	19.33	21.66	21.43	19.06	21.85	19.52	20.21	24.38	24.20	18.36	21.7
Other Taxes	6.46	6.71	6.30	5.48	5.21	5.28	4.56	5.03	5.08	5.66	6.67	7.45	8.59	10.26
Licenses and Permits	1.33	1.42	1.62	1.65	1.32	1.18	1.17	1.68	1.73	1.49	1.41	1.50	.93	1.1
Fines and Penalties	2.50	2.51	2.49	2.00	1.84	1.67	1.48	1.56	1.42	1.53	1.66	1.65	1.24	1.47
From Use of Money and Property	2.54	2.50	2.00	2.02	3.09	3.37	1.98	2.08	2.11	3.45	5.22	5.95	6.02	7.12
Federal Grants	.79	2.18	6.40	8.66	6.54	11.63	20.81	15.53	22.11	22.08	13.57	11.03	9.65	11.4
State Grants	6.96	7.8	8.77	7.36	9.11	8.8	10.96	8.18	7.24	8.37	6.00	6.77	5.07	6.00
Federal Revenue Sharing	N/A	N/A	N/A	7.96	6.85	6.08	5.26	5.43	4.66	4.31	4.51	4.88	4.38	5.18
Vehicle in Lieu Taxes	6.32	6.43	5.28	4.55	4.94	4.20	3.59	4.08	3.89	4.07	5.10	5.11	2.75	3.25
Gasoline Taxes	8.45	7.74	6.96	5.54	4.90	4.29	3.45	3.48	2.94	3.01	2.74	2.61	2.1	2.49
From Other Agencies	1.46	1.34	.92	1.5	2.2	2.11	1.9	.95	1.11	2.41	1.59	1.38	1.45	1.72
Current Service Charges	10.86	11.15	10.78	9.58	9.84	9.88	8.13	10.35	9.49	9.79	10.97	10.89	25.36	12.91
Other Revenue	<u>7.29</u>	<u>6.83</u>	<u>7.10</u>	<u>5.43</u>	<u>5.81</u>	<u>4.56</u>	<u>3.62</u>	<u>4.74</u>	<u>4.56</u>	<u>6.09</u>	<u>4.61</u>	<u>3.85</u>	<u>2.78</u>	<u>3.29</u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

¹Using all the factors of revenue that have been reported in 1981-82, i.e., using State Controller's new method for tallying revenues.

²Using the same factor of revenues as other years.

to 12.88 percent of total revenues. The property tax is no longer the most significant revenue source available to small cities.

b) Own-Source Revenues

The most notable trend in city revenues has been an increasing reliance upon those revenue sources over which cities have control. Examples are: sales and use taxes, other taxes, fines and penalties, and use of money and property. Since Proposition 13, the property tax has been replaced by the sales tax as the largest revenue source. In 1977-78, the sales tax comprised 19 percent of total revenue and had increased to 24 percent in 1980-81. In 1981-82 the percentage of sales and use tax moderately decreased to 21 percent of total revenue in our sample cities. This decrease was probably due to the recession and relatively high unemployment rates in 1981-82.

c) Grants and Revenue Sharing

The share of federal and state grants has also increased since 1969-1970. But surprisingly, reliance upon these grants has decreased since Proposition 13; state grants made up 7 percent of general purpose revenue in 1977-78, but declined to 5 percent in 1981-82. Federal grants declined more sharply, from 22 percent of total revenues in 1978-79 to about 10 percent in 1981-82.

Federal revenue sharing was introduced as a new source of revenues to cities in fiscal year 1972-73. In its first year, it was 7.96 percent of total revenues. It has since dropped to a low 4.38 percent in fiscal year 1981-82. The relative decline appears to be due to reduced funds from the federal government and to the increasing ability of small local governments to augment "own-source" revenues vis-a-vis the federal share.

d) Gasoline Taxes

Gasoline taxes from other agencies and other revenues have all dropped in importance throughout the years of our study.

e) Service Charges

"Current service charges" were a small source of revenue until Proposition 13, but after 1978-79, this item grew remarkably so that in fiscal year 1981-82, the percentage of current service charges reached 25 percent of total revenue (or at least 13 percent after we made the State Controller's data comparable with previous years).

Current Composition of Revenues

Table 5 highlights the current sources of total revenue (general revenue plus functional revenue) for the fiscal year 1981-82.

As the table shows, service charges have the largest proportion in total revenue of these small cities. However, the state's format of reporting 1981-82 is different from the other years. Additional items have been included in revenue, for example: (1) in tax category, voter approved indebtedness, transportation, and utility users tax have been added, (2) in current service charge items: water service charge, electric and gas

Table 5. Classification of City Revenues - Fiscal Year 1981-82
(57 Cities)

<u>Revenue Accounts</u>	<u>Percentage</u>
Current Service Charges	25.36
Sales Taxes	18.36
Property Taxes	11.22
Federal Grants	9.65
Other Taxes	8.59
From Other Agencies	6.30
Revenue from Use of Money and Property	6.02
State Grants	5.07
Federal Revenue Sharing	4.38
Other Revenue	2.78
Fines and Penalties	1.24
Licenses and Permits	.93
<hr/>	
Total Revenue	116,085,467

revenues, cemetery, hospital, and housing revenues, . . . etc. has been reported. In other words the latest state report of Financial Transactions is more detailed now than before, which tends to give a slight upward bias to the size of "Current Service Charges."

Own-Source Revenue vs. Intergovernmental Transfers

Many governments have already learned that it is not easy to find new revenue sources. Arguments abound against almost any new source as being politically infeasible, too hard or expensive to collect, not a large enough revenue producer, too difficult to administer, or not equitable. Despite these difficulties and with the added inability to tamper with the property tax, California cities have diversified their revenue systems in order to acquire additional funds for governmental services. One way of seeing what local governments have done is to compare "own-source" revenue with "intergovernmental transfers."

Own-source revenues include taxes, charges, and miscellaneous revenues, and intergovernmental revenue consists of revenue received mainly from state and federal transfers.

As Table 6 shows, after Proposition 13, there has been a move towards greater reliance on "own-source" revenue and less on intergovernmental transfers, at least in this sample of communities. For 1981-82, over 74 percent of municipal revenues were raised on average, by each locality. The predominant municipal revenue source is tax monies, although charges and miscellaneous have increased from 19 percent in 1977-78 to 36 percent in 1981-82. It means that small cities are trying to overcome their financial problems by using the factors that they control at home.

Table 6. Percent of Revenue Sources by Municipalities
1977-78 to 1981-82

Revenue Source	1977-78	1978-79	1979-80	1980-81	1981-82
Own Source	58.05	55.75	66.49	68.22	74.60
Tax Revenue	38.89	33.53	42.76	44.53	38.17
Charges and Misc.	19.16	22.22	23.73	23.69	36.43
Intergovernmental	<u>41.95</u>	<u>44.25</u>	<u>33.51</u>	<u>31.78</u>	<u>25.40</u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: State Controller Annual Report of Financial Transactions Concerning Cities of California, Sacramento, 1981-1982.

SMALL CITY EXPENDITURES

Changing Composition of Expenditures 1969-1982

Again, we note that the format of reporting expenditures by the State Controller's Office was changed in 1981-82, making comparisons difficult. Some general government expenditures were reported in a more aggregated format in year 1981-82, than in the previous years. Items like public works and public safety, however, were reported in a more disaggregated listing (see Appendix IIb and IIc). Table 7 shows the percentage of each category with respect to total expenditure (expenses plus outlay) for the fiscal year 1981-82. As it is shown, public safety is the biggest proportion of total expenditure and health outlay is the biggest item for long-term capital investment.

Table 8 shows the historical composition of expenditure categories for years 1969-1970 to 1981-82. Beginning in 1969-1970, approximately 85 percent

of local government expenditures went to operating expenses. For each year after 1971-72, the fraction of local government expenditure which went to day-to-day expenses declined until 1978-79. From 1969-1970 to 1978-79 (with the exception of 1976-77) small local governments spent more and more for capital outlays. This pattern of expenditure on capital outlays could be a reflection of both: (a) rapidly growing revenues, which permitted greater relative expenditure for capital assets and equipment and, (b) an associated growth in population which necessitated greater expenditures for capital outlays. However, with the passage of Proposition 13, communities sharply curtailed expenditures for capital outlays and shifted more funds to operating expenses.

Table 7. Composition of Expenses and Outlays for 1981-82 (N=57)*

	<u>Expense</u>	<u>Outlay</u>
General Government	9.8%	.62%
Public Safety	25.54%	2.00%
Transportation	12.98%	4.94%
Community Development	6.5 %	.90%
Health	10.98%	6.50%
Culture and Leisure	6.11%	1.42%
Public Utility	<u>9.68%</u>	<u>2.03%</u>
Total (100%)	81.59%	18.41%
Total Expense and Outlay	116,580,000	

Note: 'Expense' relates to expenditures for day-to-day operation and 'outlay' refers to long-term capital investments.

a) Detailed Operating Expenses

The trend shows that operating expenses are quite stable throughout time except for the categories of expenditures labeled "public works" and "General

Table 8. Distribution of Fiscal Allocation, Expenditure
1970-1982 (N = 57)

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82*
General Government Departmental Expenses	9.56	9.67	9.37	9.31	9.82	8.82	7.84	8.82	9.59	8.31	9.28	11.15	11.67
General Government Departmental Outlay	.99	.43	.59	1.13	1.64	1.91	.67	1.61	3.81	1.44	2.82	1.49	.77
General Government Non-Departmental Expenses	15.26	15.65	15.94	15.28	14.97	14.52	14.48	17.37	17.39	16.83	16.03	11.35	N/A
General Government Non-Departmental Outlay	.20	.11	.07	.11	.16	.51	2.00	.73	2.36	.37	.26	.23	N/A
Police Protection Expenses	18.50	19.07	18.98	18.35	17.80	16.84	15.49	16.78	15.09	14.79	16.73	20.25	18.93
Police Protection Outlay	.82	.79	.71	.99	.93	.83	.60	.82	.74	.64	.76	.87	1.16
Fire Protection Expenses	5.33	5.17	4.93	4.68	4.27	4.16	3.80	4.16	3.78	3.59	3.99	4.67	4.37
Fire Protection Outlay	1.13	1.07	.53	1.08	1.29	.97	1.25	1.08	1.20	.69	.72	.96	.75
Other Public Safety Expenses	1.49	1.47	1.56	1.69	1.74	1.68	1.50	1.70	1.62	1.38	1.50	1.76	1.14
Other Public Safety Outlay	.04	.02	.02	.13	.06	.11	.10	.03	.04	.15	.11	.13	.18
Public Work Expenses	26.99	27.30	26.13	25.05	24.90	23.7	22.35	22.68	21.43	19.82	22.13	23.46	29.43
Public Work Outlay	9.16	9.70	10.91	10.06	13.63	14.39	20.51	13.50	13.11	21.62	14.58	10.13	13.74
Health Expenses	.13	.13	.08	.09	.08	.06	.03	.09	.07	.04	.48	.17	.26
Health Outlay	.00	.00	.00	.00	.001	.002	.001	.00	.03	.00	.00	.06	.00
Library Expenses	1.32	1.32	1.12	.90	.80	.86	.82	.97	.99	.62	.63	.71	.71
Library Outlay	.31	.21	.09	.05	.41	.15	.04	.25	.56	.88	.001	.01	.03
Parks and Recreation Expenses	5.33	5.53	5.62	5.36	5.01	4.75	4.74	5.60	4.94	4.63	5.35	6.02	4.90
Parks and Recreation Outlay	1.97	1.41	.66	2.91	1.65	1.85	1.47	1.96	1.46	1.59	1.97	1.42	1.19
Other Expenses	1.47	.96	2.68	2.83	.84	3.86	2.33	.80	.68	.66	1.02	.74	8.54
Other Outlay	.00	.00	.02	.00	.00	.00	.00	1.07	1.59	2.09	1.53	4.41	2.22
Sum of Expenses	85.38	86.27	86.41	83.54	80.23	79.25	73.38	78.97	75.58	70.67	77.14	80.28	79.95
Sum of Outlays	14.62	13.73	13.59	16.46	19.77	20.75	26.62	21.03	24.42	29.33	22.86	19.72	20.05

*Note: This column differs from Table 7 because we corrected the 1981-82 State Controller's data to have it conform to data for previous years.

Government-Nondepartmental" which is not available for the year 1981-82. Police protection expenditure has decreased for the year 1981-82 compared to the previous year but its outlay has increased almost twice as the previous year 1980-81. Public work varies from a high of 27.30 percent of total expenditure for fiscal year 1970-71 to a low of 19.82 percent of total expenditures for fiscal year 1978-79, the year after passage of Proposition 13.

b) Public Safety and Works

Spending on public safety and public works were the largest components of small city budgets throughout the years. Expenditures for city owned public utilities comprised a significant portion of the city budgets in year 1981-82. Expenditures do exhibit variations throughout the years, especially for outlays.

ANALYSIS OF TRENDS

The Model

Econometric methods can answer two somewhat distinct questions about Proposition 13. Did the measure have any effect at all? If so, precisely how large was it and how did the effect vary in real or nominal value terms across communities?

The following model was developed to ascertain the general economic impact of Proposition 13 in the 57 communities studies. Our model is specified as follows:

$$Y = \alpha + \beta_1 (t) + \beta_2 (D) + \beta_3 (z)$$

$$Y^* = \alpha^* + \beta_4 (t^*)$$

α --represents the estimated pre-Proposition 13 intercept of the regressions; and

α^* --represents the estimated post-Proposition 13 intercept of the regression; it is calculated by adding α to D.

t --represents the time variable for pre-Proposition 13.

t^* --represents the time variable for post-Proposition 13. Its coefficient (β_4) is calculated by adding the estimates for t and z.

D --represents a dummy variable used to show the change in the value of the intercept after Proposition 13.

z --represents a dummy variable used to show the change in the value of the coefficient t after Proposition 13.

y and y^* --represent the 10 dependent variables in the two equations. These are selected because of the various ways for measuring the effect of Proposition 13. They take into consideration trends before and after Proposition 13 in nominal (NOM) and real (RE) terms. For real values we have adjusted the nominal data by the Consumer Price Index for California.

The ten dependent variables are:

1. REV/NOM = Total revenues per capita in nominal terms;
2. REV/RE = Total revenues per capita in real terms;
3. REVO/NOM = Total revenue omitting state and federal grants per capita in nominal terms;
4. REVO/RE = Total revenues omitting state and federal grants per capita in real terms;
5. EXP/NOM = Total expenditures per capita in nominal terms;
6. EXP/RE = Total expenditures per capita in real terms;
7. EXPO/NOM = Total expenditures omitting capital outlays per capita in nominal terms;
8. EXPO/RE = Total expenditures omitting capital outlays per capita in real terms;
9. PROP/NOM = Property tax per capita in nominal terms;
10. PROP/RE = Property tax per capita in real terms.

Basically, there are three general types of dependent variables:

REV = Revenues per capita over time

EXP = Expenditures per capita over time

PROP = Property tax per capita over time

Two other terms appear in the dependent variables of the above:

REVO = revenues per capita omitting state and federal grants

EXPO = expenditures per capita omitting capital outlays

By examining trends in these two cases, we can see to what extent state and federal grants (or their absence), and capital outlays, affect the financial trends of small towns.

The dummy variables 'D' and 'Z' allow us to take on two distinct values for time; i.e., time up to the enactment of Proposition 13 (1969-1970 to 1977-78) and time from Proposition 13 (1978-79) to the latest year for which we have data (1981-82). These variables are utilized in the regressions to account for the fact that observations within the pre-Proposition 13 period are associated with one set of regression parameters, while observations in the post-Proposition 13 period are associated with different regression parameters.

In the regressions we assume that y or y^* obtained (in each of the 10 cases) are normally distributed with different expected values but identical variances. When y or y^* is associated with the dummy variable as follows:

$$t = \begin{cases} = 1 & \text{if the time period is 1969-1970 to 1977-1978} \\ = 0 & \text{if the time period is 1978-1979 to 1981-1982} \end{cases}$$

the intercepts of the regression line (α or α^*) measure the expected value associated with Proposition 13, while the slope coefficients measure (β 's) the difference in the dependent variable associated with a change from post-Proposition 13 to pre-Proposition 13 periods.

There are 13 years of data corresponding to 13 observations available for each of the 57 cities included in this study, i.e., for fiscal years 1969-1970 to 1981-82. The data for this model was stacked in order to obtain an aggregate data set. Stacking the data involves estimating one set of coefficients for the entire sample in our study.

REGRESSION RESULTS

Table 9 shows the estimated coefficients for pre- and post-Proposition 13 periods for the ten different dependent variables. Since communities attempt to match revenues and expenditures for each fiscal year, we would expect that each related revenue and expenditure regression would have similar coefficient estimates for each of its independent variables. As the table shows, the REV/NOM and EXP/NOM or REVO/RE and EXPO/RE or REV/RE and EXP/RE have almost the same estimated coefficients.

Some points of interest about the results of regression are the following:

Estimates of the time coefficient (t) for REV/NOM, EXP/NOM, and PROP/NOM are positive and statistically significant. After Proposition 13, REV/NOM exhibits a positive and statistically significant time coefficient (t^*) but the slope is smaller than the one before Proposition 13 (i.e., 22.65 is less than 26.52). Thus, nominal revenue definitely slowed down for the communities studied. In real terms, after adjusting for inflation, REV/RE has a negative slope after Prop. 13 (i.e., $t^* = -6.34$) and it shows a decreasing trend. Negative and statistically significant time coefficients were estimated for REV/RE and EXP/RE. This indicates that real revenues and expenditures in the sample of communities studied dropped substantially after Proposition 13.

Table 9. Time Series and Cross Sectional Regression
Equations for 57 California Cities, 1969-1970 to 1981-82

Dependent Variable	Pre-Prop. α	13 t	Dummy D Pre.	Variables z Post.	Post-Prop. α^*	13 t*	R ²	F-test	Mean
REV/NOM	61.79 (5.1)	26.52 (12.32)	35.30 (.4)	-3.87 (-.5)	97.09	22.65	.37	142.193	244.65
REV/RE	83.40 (13.59)	8.77 (8.04)	128.61 (2.91)	-15.11 (-3.84)	212.01	-6.34	.18	24.28	130.85
REVO/NOM	81.04 (11.89)	15.82 (13.07)	-249.72 (-5.1)	23.98 (5.49)	-168.68	39.80	.34	128.903	223.15
REVO/RE	90.91 (26.82)	3.17 (5.26)	-22.16 (-.91)	.53 (.24)	68.75	3.70	.17	18.22	120.12
EXP/NOM	61.63 (5.19)	24.51 (11.61)	-86.81 (-1.01)	7.82 (1.02)	-25.18	32.33	.37	142.73	234.17
EXP/RE	81.33 (13.57)	7.86 (7.38)	75.88 (1.76)	-9.86 (-2.56)	157.21	-2.00	.17	20.76	124.81
EXPO/NOM	61.91 (8.44)	16.73 (12.84)	-262.79 (-4.99)	24.42 (5.2)	-200.88	41.15	.48	228.671	184.62
EXPO/RE	74.20 (20.13)	4.4 (6.72)	-25.42 (-.96)	.45 (.19)	48.78	4.85	.17	19.12	98.81
PROP/NOM	22.09 (16.05)	1.92 (7.85)	-57.35 (-5.7)	4.39 (4.97)	-35.26	6.31	.16	47.16	33.43
PROP/RE	22.78 (28.27)	-.25 (-1.76)	-20.77 (-3.6)	1.31 (2.55)	2.01	1.06	.14	42.14	19.29

Note: Partial regression coefficients are listed with the corresponding T-statistic shown in parenthesis. Time ranges from 1969-1970 to 1981-82 fiscal years.

REVO/NOM, REVO/RE, EXPO/NOM, and EXPO/RE have positive and statistically significant time coefficients before and after Proposition 13; i.e., both t and t^* values are positive in each case. As stated previously in the paper, omitting state and federal grants and capital outlays would allow us to study the day-to-day (operating) finances of these local governments, since we essentially eliminate the data which covers capital building funds. This again would indicate that these cities were providing their inhabitants with real increases in the quantity of day-to-day governmental services. When federal and state grants and capital outlays are omitted from the data base as indicated by this set of dependent variables, the effects on revenues and expenditures are not the same. What is evident is that small local governments are maintaining an ability to finance their day-to-day operations or, at least, they have given major attention to this type of public service. What has changed most significantly under Proposition 13 is the funding level for capital building and expenditure. The regression coefficients for t^* are greater than for t , which also leads us to infer that state and federal grants have had a relatively large effect on the ability of local governments to provide public services and capital expenditures. We can also infer that a relatively large share of state grants went to cover operating expenditures after Proposition 13. No doubt, the state's "bail-out" funds helped small city governments to handle operational expenses. This is evident when we see that EXPO/NOM has a positive significant time coefficient after Proposition 13 ($t^* = 41.15$), much larger than before ($t = 16.73$). This suggests that the trend of the day-to-day governmental expenses was significantly enhanced. Thus, an important post-Proposition 13 impact has been a significant increase in day-to-day operational expenditures vis-a-vis capital outlays which tend to go for buildings and equipment.

It is also important to note the estimated coefficients for REVO/RE. It is both positive and statistically significant after Proposition 13 (i.e., $t^* = 3.70$). This shows that small city governments adjusted quickly to Proposition 13 and put into effect measures derived from their own revenue sources which allowed them to keep their revenues up as before to a significant extent.

The time coefficient for property taxes (where $t^* = 6.31$ in PROP/NOM) is statistically significant after Proposition 13. This, at first, may seem surprising since the purpose of Proposition 13 was to decrease property taxes. But what the time coefficients show is that property taxes were relatively unimportant as a city revenue (with a flat trend, or $t + 1.92$) before Proposition 13. However, property taxes rose quickly in importance as a revenue source after Proposition 13.

Because of the way Proposition 13 was implemented, a huge decrease came about in the first year of Proposition 13. However, as persons sold their properties to new owners, the property tax that these new property owners paid was and is based on the new price and not the 1975 price level. This is the major reason for the sharp increase in the slope of the time coefficient.

EXTRAPOLATIONS AND FUTURE TRENDS

It would be interesting to see what the future trend in revenue and expenditure would have been in the absence of Proposition 13. Results of the regression equations are used to forecast the future trends (1985 through 1990) of revenues and expenditures for with and without Proposition 13 scenarios.

The forecasted future revenues and expenditure trends should be analyzed with caution since time is the only independent variable which is included in

the regression analysis. This would imply that no major structural or institutional changes will occur in the future. Obviously, this is a very limited and simplifying assumption. In order to have a complete and thorough forecast; variables which will affect revenue and expenditure (besides time) should be included in the study. But in the absence of data and a good crystal ball, any exercise including other factors would not necessarily improve the forecasts that we make.

Future trends of revenue and expenditure are shown in Figures 3 through 6. In all cases, the solid lines represent the post-Proposition 13 trend. The placement of the lines can be summarized in this way: Proposition 13 will result in future revenues significantly below past trends and projected local government expenditures will fall slightly below pre-Proposition 13 trends.

As Figure 4 indicates that real per capita revenue in the absence of Proposition 13 would have been above the trend with Proposition 13. Figure 6 shows an upward sloping per capita real expenditure, in the absence of Proposition 13, and a downward sloping trend with Proposition 13. While the real per capita revenue trend with Proposition 13 shows a downward trend, the real per capita expenditure exceeds the real per capita revenue in all years.

Property tax declined, almost 50 percent, after Proposition 13 in both real and nominal term (from \$11 million in 1977-78 to \$6.5 million in 1978-79 in nominal term and from \$60 million in 1977-78 to \$30 million in 1978-79 in real term). For estimating the deficit, the time coefficient for REV/NOM is subtracted from the time coefficient for EXP/NOM. Before Proposition 13, we have $EXP/NOM - REV/NOM = -.16 + (-2.01) t$. After Proposition 13, $EXP/NOM - REV/NOM = -122.27 + 9.68 t$. These equations can be thought of as

Figure 3. Extrapolation of Per Capita Nominal Revenue

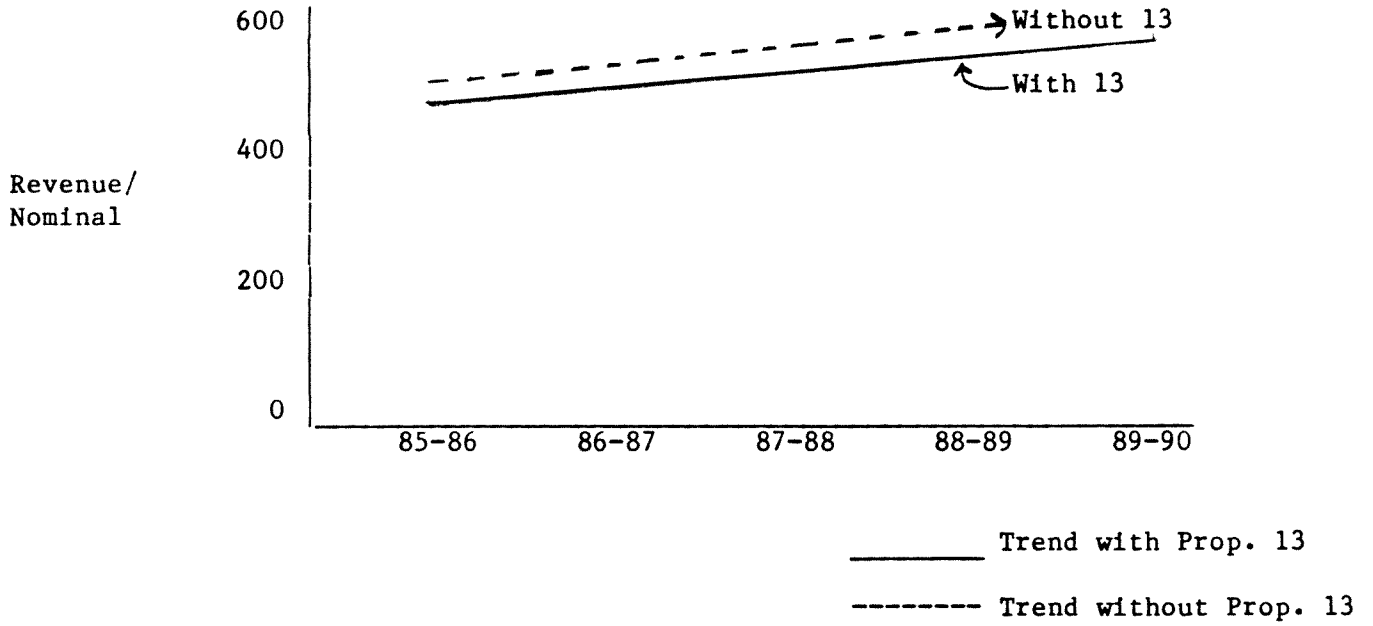


Figure 4. Extrapolation of Per Capita Real Revenue

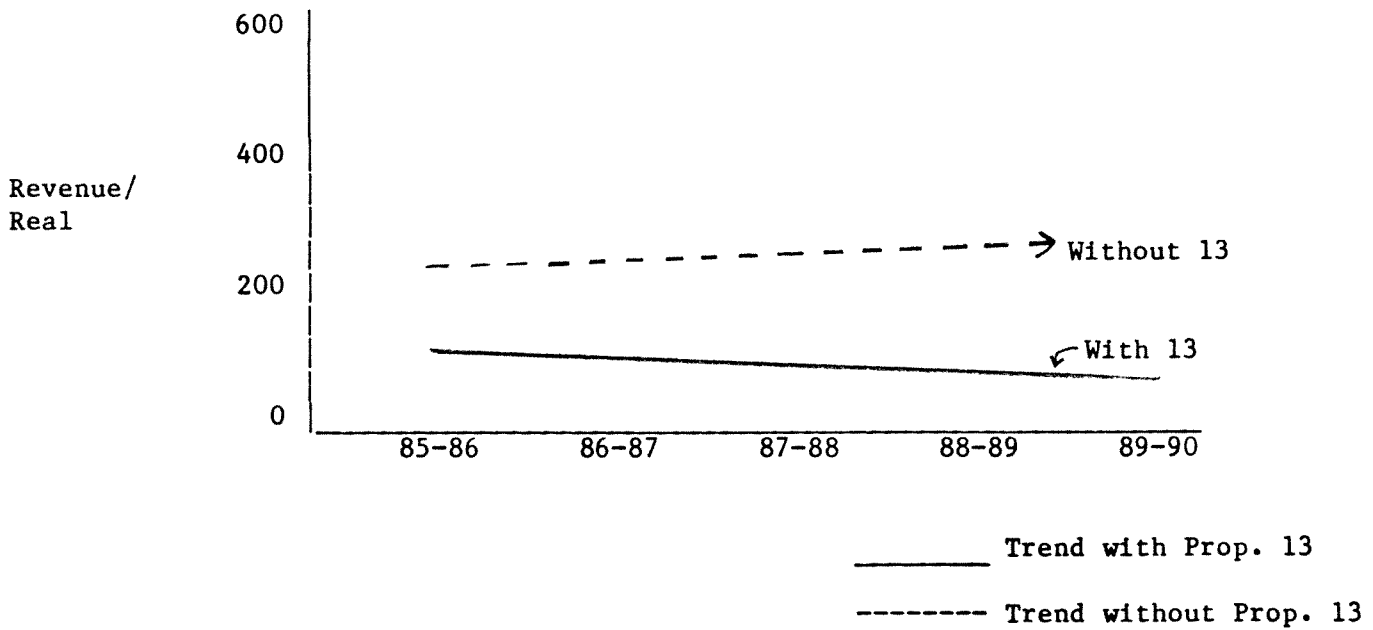


Figure 5. Extrapolation of Per Capita Nominal Expenditure

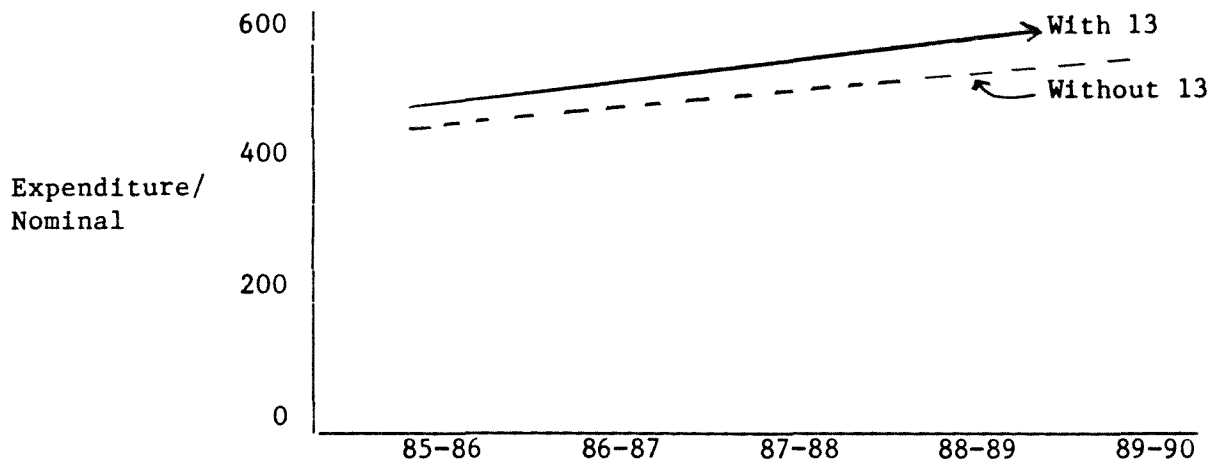
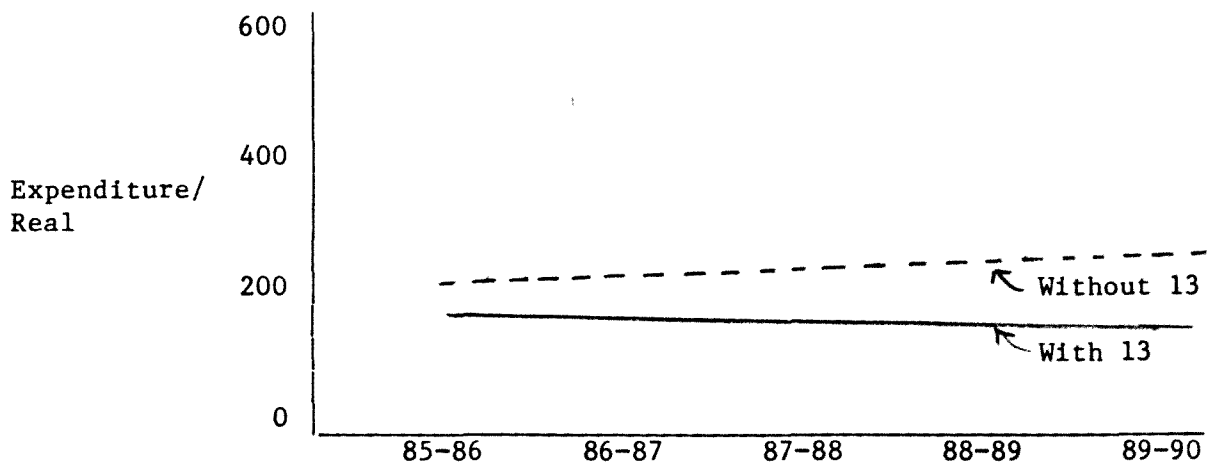


Figure 6. Extrapolation of Per Capita Real Expenditure



estimates of deficits for these small cities. A negative sign for t would indicate that surpluses in local finances are expected in the future, whereas a positive sign would suggest the opposite. According to these estimates, after Proposition 13, substantial deficits are expected in the future. This portends bad times for small cities. This would imply that if the past trend continues into the future, cities will be spending more than what they collect. This trend obviously cannot continue and cities should either collect more revenues or cut expenditures.

CONCLUSIONS

Proposition 13 appears to have had numerous effects, most of them relatively negative on the small communities in our survey. Before Proposition 13, total revenues and expenditures were increasing over time in both nominal and real terms (this is true also when omitting government grants and outlays). A significant change in direction for revenue and expenditure occurs after Proposition 13.

Table 4 illustrates how property taxes declined in relation to other revenue sources, from 14.3 percent of total revenues in 1977-78 to 7.66 percent in 1978-79.

But this decline is not as great as the steady decline which had been occurring in previous years. In 1969-1970, property taxes were nearly 26 percent of total revenues. What let the relative deterioration in the property tax revenue go without incident was probably Federal Revenue Sharing, which started in 1972-73 and represented nearly 8 percent of local government revenue for some years. In other words, community revenues were steadily climbing from sources other than property taxes. Thus, we should not lose sight of the fact that there was also a sharp decline in state and federal

grants (not Revenue Sharing) following the enactment of Proposition 13 (see Table 4). In 1978-79, federal grants were 22.1 percent of city revenues. In 1979-1980, they were 13.6 percent, in 1980-81, 11 percent, and in 1981-82, about 10 percent of total revenues. Thus, the decline in local government revenues (and expenditures) following Proposition 13, cannot be attributed solely to this measure, the sharp drop in state and federal grants have had a strong (negative) impact on the ability of small cities to fund public services as well.

The availability of state "bail-out" funds tended to abate to some extent damaging reductions in local government expenditures. Besides the "bail-out" funds (that helped), our sample of 57 small incorporated cities shows that local governments moved quickly to raise current service charges (including zoning fees, plant checking fees, special police services, engineering fees, street and curb repairs, sewer service, refuse collection, library fines and fees, parks and recreation charges, etc.). Only recently, in 1981-82, four years after Proposition 13, has revenue increased from property taxes to approximately former levels.

Despite these adjustments, real per capita expenditure generally exceeded real per capita revenues in small cities. With the loss in revenues due to Proposition 13, small cities reduced some expenditures for capital outlays (see Table 8). In 1978-79, capital outlays represented nearly 30 percent of local government expenditures, in 1981-82 that fraction was reduced to 20 percent. However, between 1969-1970 to 1977-78, the proportion of local government expenditures for capital outlays ranged from 13.59 (1971-72) to 26.62 percent (1975-76), with the average ratio of capital outlays to total expenditures being for the most part less than 20 percent.

Thus, the impact of Proposition 13 has been to reduce relative city investments in capital outlays down to early 1970's levels.

Perhaps the most important change to-date, following Proposition 13, is the fact that small local governments have attained a relatively strong reliance on own-source revenues for maintaining public services. In the coming years we can expect a greater interest in local governments for more freedom in ways to generate revenues, especially in the types of taxes they can assess. Also we have noticed that the role of the federal government revenue sharing has definitely decreased, evidenced not only by reductions in an absolute sense, but in its share of total revenues.

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6(November 1979):51-55.

Appendix I: Cities in Our Sample

<u>City Name</u>	<u>Estimated Population June 30, 1982</u>	<u>City Name</u>	<u>Estimated Population June 30, 1982</u>
1. Alturas	3,144	29. Jackson	2,528
2. Anderson	7,381	30. Lakeport	3,866
3. Angles	2,301	31. Le Moore	9,772
4. Auburn	7,790	32. Lincoln	4,315
5. Biggs	1,413	33. Live Oak	3,336
6. Bishop	3,389	34. Livingston	5,605
7. Blue Lake	1,218	35. Los Banos	10,933
8. Calipatria	2,703	36. Morro Bay	9,398
9. Calistoga	3,973	37. Mount Shasta	2,895
10. Chowchilla	5,272	38. Nevada City	2,434
11. Colusa	4,075	39. Orland	4,205
12. Corcoran	6,576	40. Oroville	9,442
13. Corning	4,986	41. Pismo Beach	5,528
14. Crescent City	3,125	42. Portola	1,892
15. Dos Palos	3,167	43. Red Bluff	10,213
16. Dunsmuir	2,253	44. Rio Dell	2,735
17. El Paso de Rollins	10,704	45. Rocklin	7,980
18. Ferndale	1,397	46. San Juan Bautista	1,299
19. Fortuna	7,868	47. St. Helena	4,943
20. Fort Bragg	5,334	48. Susanville	6,620
21. Grass Valley	7,454	49. Sutter Creek	1,740
22. Gridley	4,072	50. Weed	2,879
23. Grover City	9,152	51. Westmoreland	1,720
24. Gustine	3,343	52. Wheatland	1,553
25. Hollister	12,541	53. Williams	1,661
26. Holtville	4,579	54. Willits	4,008
27. Imperial	3,627	55. Willows	4,952
28. Ione	2,277	56. Yountville	2,994
		57. Yreka	6,402

Appendix IIa
TABLE 4 CITIES---FISCAL YEAR 1980-81---CONTINUED

DETAILED STATEMENT OF GENERAL CITY REVENUES FOR THE FISCAL YEAR ENDED JUNE 30, 1981

HUMBOLDT COUNTY---CONTINUED

IMPERIAL COUNTY

	EUREKA	FERDALE	FORTUNA	RIO DELL	TRINIDAD	DRAWLEY	CALEXICO	CALIPATRIA
TAXES--PROPERTY								
CURRENT YEAR--SECURED----	\$1,394,346	\$21,720	\$77,616	\$18,616	\$12,380	\$843,862	\$345,710	\$75,808
CURRENT YEAR--UNSECURED----	97,581	1,100	2,805	1,189	913	59,791	42,498	11,098
PRIOR YEARS-----	69,707	436	1,381	1,479	-----	42,676	28,314	7,252
OTHER PROPERTY TAXES-----	-----	-----	-----	35	-----	13,766	1,858	2,353
INTEREST & PENALTIES-----	9,840	-----	1,167	-----	-----	-----	-----	-----
TAXES--OTHER								
SALES & USE TAXES-----	3,381,969	91,290	593,702	91,162	26,610	1,056,746	1,443,433	120,234
TRANSIENT LODGING TAXES----	376,447	-----	12,757	4,153	-----	43,480	70,749	-----
FRANCHISES-----	178,576	2,893	41,825	14,352	1,551	46,911	37,302	11,692
BUSINESS LICENSE TAXES----	120,890	2,170	33,291	4,538	947	55,808	102,191	4,020
PROPERTY TRANSFER TAXES----	12,887	539	3,925	765	-----	11,930	3,409	646
OTHER NON-PROPERTY TAXES----	-----	-----	8,949	-----	-----	-----	-----	-----
LICENSES AND PERMITS								
ANIMAL LICENSES-----	7,185	324	1,311	422	110	5,892	3,812	-----
BICYCLE LICENSES-----	-----	-----	110	-----	-----	190	39	45
CONSTRUCTION PERMITS----	41,673	479	27,244	3,289	3,432	23,152	46,468	3,124
PARKING-----	111,363	-----	5,928	-----	-----	2,030	85,835	-----
STREET AND CURB PERMITS----	-----	-----	-----	-----	-----	-----	125	-----
OTHER LICENSES AND PERMITS----	274	1	885	66	-----	5,613	58	-----
FINES AND PENALTIES								
VEHICLE CODE FINES-----	125,974	4,849	14,217	4,914	120	26,302	23,948	6,868
OTHER FINES-----	48,296	274	2,835	281	-----	8,907	83,690	1,597
OTHER PENALTIES-----	2,125	-----	-----	-----	-----	-----	-----	-----
FROM USE OF MONEY & PROPERTY								
INVESTMENT EARNINGS-----	1,324,325	18,091	199,269	32,984	4,485	162,102	229,828	17,712
RENTS AND CONCESSIONS-----	17,907	-----	7,105	24,741	4,330	9,570	45,586	20,345
ROYALTIES-----	-----	-----	-----	-----	-----	-----	-----	-----
OTHER-----	-----	-----	-----	-----	-----	-----	-----	-----
FROM OTHER AGENCIES								
ALCOHOLIC BEV FEES -ST----	36,710	2,242	4,378	1,786	502	11,125	8,139	1,153
VEHICLE IN LIEU TAXES -ST----	446,234	25,473	158,354	51,942	6,310	264,446	262,577	47,195
GASOLINE TAXES -ST-----	211,413	17,308	77,952	29,240	8,659	102,409	101,703	22,679
HOMEOWNERS TAX RELIEF -ST----	62,901	1,384	5,659	727	639	34,392	23,081	4,858
BUSINESS INV TAX RELIEF-ST----	168,094	4,312	15,353	3,942	52	53,465	32,012	7,485
TRAILER IN LIEU TAXES -ST----	6,274	499	2,712	1,101	962	4,577	3,744	941
CIGARETTE TAXES -ST-----	137,895	4,432	29,123	6,777	1,283	50,620	60,403	7,072
OTHER STATE GRANTS-----	185,041	3,874	85,412	17,386	11,295	166,004	84,176	94,025
COUNTY GRANT OF GAS TAX-----	-----	-----	-----	-----	-----	99,653	68,262	12,662
OTHER COUNTY GRANTS-----	292,000	-----	-----	-----	-----	20,000	53,188	-----
FEDERAL REVENUE SHARING----	628,216	13,774	80,197	17,126	4,456	270,666	433,337	50,916
OTHER FEDERAL GRANTS-----	434,450	60,000	30,172	74,226	85,192	672,707	2,905,058	-----
OTHER TAXES IN LIEU-----	-----	-----	-----	-----	-----	1,530	3,360	127
CURRENT SERVICE CHARGES								
ZONING FEES-----	5,482	1,405	1,365	180	345	1,953	4,160	-----
SUBDIVISION FEES-----	-----	-----	2,930	270	-----	563	550	-----
SALE OF MAPS, ETC-----	3,164	-----	235	-----	77	219	142	120
OTHER FILING FEES-----	-----	50	-----	-----	-----	-----	838	-----
SPECIAL POLICE SERVICES----	4,943	70	5,790	-----	-----	16,995	23,811	105
SPECIAL FIRE SERVICES----	2,536	-----	-----	-----	-----	61,739	48,448	17,750
PLAN CHECKING FEES-----	14,596	-----	7,044	-----	573	3,299	11,757	-----
ANIMAL SHELTER FEES-----	4,834	-----	100	-----	-----	1,019	1,793	-----
ENGINEERING FEES-----	13,018	140	-----	-----	-----	1,322	-----	-----
STREET AND CURB REPAIRS----	4,400	-----	-----	-----	1,164	4,507	1,094	2,944
LOCAL ASSESSMENTS-----	-----	-----	-----	-----	-----	-----	-----	-----
LOT CLEANING-----	-----	-----	-----	-----	-----	-----	1,501	220
SEWER SERVICE-----	-----	57,847	-----	83,572	-----	-----	259,613	-----
REFUSE COLLECTION-----	-----	-----	-----	888	-----	341,574	381,858	32,337
SALE OF REFUSE-----	-----	-----	-----	-----	-----	-----	-----	-----
VITAL STATISTICS-----	-----	-----	-----	-----	-----	-----	-----	-----
FIRST AID AND AMBULANCE----	-----	-----	-----	-----	-----	-----	-----	-----
HEALTH INSPECTION FEES----	-----	-----	-----	-----	-----	-----	-----	-----
LIBRARY FINES AND FEES----	-----	689	-----	-----	-----	4,091	5,663	-----
PARKS AND RECREATION-----	101,012	-----	12,308	-----	-----	32,712	7,422	569
OTHER SERVICE CHARGES----	12,583	-----	-----	18,072	-----	16,675	30,590	3,330
OTHER REVENUE								
SALE OF PROPERTY-----	11,227	-----	2,013	442	11,628	94,258	598,763	59,917
SEWER CONNECTION FEES-----	-----	1,760	417	1,321	-----	-----	15,182	-----
CONTRIBUTION FROM-----	-----	-----	-----	-----	-----	-----	-----	-----
CITY OWNED ENTERPRISES----	230,000	-----	-----	-----	-----	-----	-----	-----
NON-GOVT SOURCES-----	-----	12,111	4,266	-----	300	-----	-----	-----
OTHER REVENUE-----	26,392	5,465	76,951	7,987	998	102,109	494,967	14,422
TOTAL REVENUES-----	\$10,364,782	\$337,001	\$1,639,253	\$319,971	\$189,315	\$4,550,757	\$8,122,025	\$663,641

Appendix IIb
TABLE 5. CITIES---FISCAL YEAR 1980-81---CONTINUED

DETAILED STATEMENT OF GENERAL CITY EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 1981

MUMBOLDT COUNTY---CONTINUED

	FERDALE		FORTUNA		RIO DELL		TRINIDAD	
	EXPENSES	OUTLAYS	EXPENSES	OUTLAYS	EXPENSES	OUTLAYS	EXPENSES	OUTLAYS
GENERAL GOVT ---DEPARTMENTAL								
CITY COUNCIL-----	\$310		\$10,719	\$377	\$1,369		\$1,667	
MANAGER OR ADMINISTRATOR--			39,385	346				
CITY CLERK-----	15,992	\$1,716	42,858		45,386	\$236	17,862	
CONTROLLER OR FINANCE OFFICER-----					4,255			
CITY TREASURER-----	560						1,800	
CITY ATTORNEY-----	1,211		7,683		5,340		6,000	
PLANNING-----	5,209		88,930	57	4,468		2,073	
PERSONNEL ADMINISTRATION-----			1,167					
GENERAL GOVT. BUILDINGS--	4,289		15,183			993		
OTHER-----								
GEN GOVT ---NONDEPARTMENTAL								
DEBT SERVICE								
GENERAL OBLIGATION								
BONDS-								
INTEREST-----								
PRINCIPAL-----								
OTHER BONDS								
NON-ENTERPRISE								
INTEREST-----	4,125							
PRINCIPAL-----	1,000							
OTHER LONG TERM DEBT								
INTEREST-----								
PRINCIPAL-----								
RETIREMENT-----	9,058							
INSURANCE-----	20,278		29,618		17,198		76	
COMMUNITY PROMOTION-----	1,022		6,023					
ELECTIONS-----								
OTHER-----	12,937		17,256		20,571		46,592	
PUBLIC SAFETY								
POLICE PROTECTION-----	61,170	10,730	\$14,905	3,569	150,101	9,477	1,731	
FIRE PROTECTION-----							7,468	
BUILDING REGULATION-----	143		7,331				3,194	
ANIMAL REGULATION-----	24		10,688	1,210			391	
CIVIL DEFENSE-----			22					
PUBLIC WORKS								
ENGINEERING AND ADMIN-----	22,857		19,513		10,386		1,168	
STREETS, STORM DRAINS AND STREET LIGHTING-----	9,989	66,688	246,185	206,237	168,229	790	21,271	
PARKING FACILITIES-----								
SEWAGE COLLECTION AND DISPOSAL-----	33,289	4,050			64,154	116,352		
WASTE COLLECTION AND DISPOSAL-----								
UNALLOCATED COSTS---SHOPS AND CORPORATION YARDS--				17,787	9,882		1,000	
HEALTH								
HEALTH SERVICES								
LIBRARIES								
LIBRARY SERVICES-----	8,170		1,528					
PARKS AND RECREATION								
PARKS AND RECREATION-----	19,835		*79,702	35,601	8,427			
CONTRIBUTIONS TO OTHER GOV- ERNMENT FUNDS AND UNITS								
CONTRIBUTIONS TO-								
CITY OWNED ENTERPRISES--					10,445			
OTHER-----			43,270					
TOTAL EXPENDITURES----	\$231,468	\$83,184	\$1,181,960	\$265,384	\$517,211	\$127,048	\$112,293	

TABLE 2. CITIES - CLASSIFICATION OF CITY REVENUES--FISCAL YEAR 1981-82--CONTINUED
(POPULATION UNDER 10,000)

REVENUE ACCOUNTS	COLIMA (SAM WATERS COUNTY) (CURRENT EST POP 454)		COLUMA (COLUMA COUNTY) (CURRENT EST POP 4,075)	
	FUNCTIONAL REVENUES	GENERAL REVENUES	FUNCTIONAL REVENUES	GENERAL REVENUES
TAXES				
SECURED AND UNSECURED PROPERTY TAX				
VOTER APPROVED INDEBTEDNESS PROPERTY TAX				
PROPERTY TAX - PRIOR YEAR				
OTHER PROPERTY TAXES				
INTEREST, PENALTIES, AND DELINQUENT TAXES				
SALES AND USE TAXES				
TRANSPORTATION TAX				
TRANSIENT LODGING TAXES				
FRANCHISES				
BUSINESS LICENSE TAXES				
REAL PROPERTY TRANSFER TAXES				
UTILITY USERS TAX				
OTHER NON-PROPERTY TAXES				
SPECIAL EMPLOYMENT ASSIGNMENTS				
PLUMBING				
PARAMEDICS				
POLICE				
LIGHTING				
OTHER				
LICENSES AND PERMITS				
CONSTRUCTION PERMITS				
OTHER LICENSES AND PERMITS				
FEES AND CONTRIBUTIONS				
VEHICLE CODE FEES				
OTHER FINES, FORFEITURES, AND PENALTIES				
REVENUE FROM USE OF MONEY AND PROPERTY				
INVESTMENT EARNINGS				
RENTS AND CONCESSIONS				
ROYALTIES				
OTHER				
ENTREPRENEURIAL				
STATE MOTOR VEHICLE IN-LIEU TAX				
STATE TRAILER COACH IN-LIEU TAX				
STATE CIGARETTE TAX				
STATE HOMEOWNERS PROPERTY TAX RELIEF				
STATE BUSINESS INVENTORY PROPERTY TAX RELIEF				
STATE GASOLINE TAX				
OTHER STATE GRANTS				
COUNTY GRANTS OF STATE GASOLINE TAX				
COUNTY GRANTS				
FEDERAL REVENUE SHARING				
OTHER FEDERAL GRANTS				
OTHER TAXES IN-LIEU				
CURRENT SERVICE CHARGES				
ZONING FEES AND SUBDIVISION FEES				
SPECIAL POLICE DEPARTMENT SERVICES				
SPECIAL FIRE DEPARTMENT SERVICES				
PLUMBING FEES				
ANIMAL SHELTER FEES AND CHARGES				
ENGINEERING FEES				
STREET SIDEWALK AND CURB REPAIRS				
WEED AND LOT CLEANING				
SEWER SERVICE CHARGES AND CONNECTION FEES				
SOLID WASTE REVENUES				
FIRST AID AND AMBULANCE CHARGES				
LIBRARY FINES AND FEES				
PARKING FACILITIES				
PARKS AND RECREATION FEES				
GOLF COURSE FEES				
WATER SERVICE CHARGES AND CONNECTION FEES				
ELECTRIC REVENUES				
GAS REVENUES				
AIRPORT REVENUES				
CEMETERY REVENUES				
HOUSING REVENUES				
PORT AND HARBOR REVENUES				
PORTAL REVENUES				
TRASH REVENUES				
QUASI-EXTERNAL TRANSACTIONS				
OTHER CURRENT SERVICE CHARGES				
OTHER REVENUES				
SALE OF REAL AND PERSONAL PROPERTY				
CONTRIBUTIONS FROM NON-GOVT SOURCES				
OTHER SOURCES OF REVENUES				
TOTAL REVENUES				

TABLE 2. CITIES--CONTINUED

(POPULATION UNDER 10,000)

CLASSIFICATION OF CITY EXPENDITURES APPLICABLE TO FISCAL YEAR 1981-82, ASSESSED VALUATION AND PROPERTY TAXES ALLOCATED AND LEVIED APPLICABLE TO FISCAL YEAR 1982-83

COLUMBA

COLUMBA

FUNCTION ACTIVITY	OPERATING EXPENDITURE	POST-NOTES	CAPITAL OUTLAY	TOTAL EXPENDITURE	FUNCTIONAL REVENUES	NET EXPENDITURE	OPERATING EXPENDITURE	POST-NOTES	CAPITAL OUTLAY	TOTAL EXPENDITURE	FUNCTIONAL REVENUES	NET EXPENDITURE
GENERAL GOVERNMENT												
LEGISLATIVE	817,501			817,501		817,501	125,824			125,824		893,325
MANAGEMENT AND SUPPORT	230,763			230,763	185	230,948	142,408		810,595	155,003		385,951
PUBLIC SAFETY												
POLICE	506,505			506,505	85,772	420,733	346,996		10,874	357,870	95,910	261,960
FIRE							235,870	44	26,052	261,922	6,310	255,612
EMERGENCY MEDICAL SERVICES												
ANIMAL REGULATION												
WED ABATEMENT												
STREET LIGHTING	2,955			2,955		2,955	43,961		1,164	45,125		46,989
DISASTER PREPAREDNESS	872			872		872	347		347			1,216
OTHER												347
TRANSPORTATION												
STREETS, HIGHWAYS, AND STORM DRAINS	71,082			71,082	9,209	61,873	227,175		11,764	238,939	79,821	159,118
STREET TREES & LANDSCAPING	7,046		8728,379	235,475		235,475	75,584		10,100	85,684		150,791
PAVING FACILITIES												
AIRPORTS												
POOLS AND HARBORS												
OTHER												
COMMUNITY DEVELOPMENT												
PLANNING	15,574			15,574		15,574	48,570			48,570		64,144
REGULATION ENFORCEMENT	5,916			5,916		5,916	4,782			4,782		10,698
CONST & ENG REGULATION	60,960			60,960	25,730	35,230	42,913			42,913	9,688	52,591
REDEVELOPMENT												
HOUSING												
EMPLOYMENT												
COMMUNITY PROMOTION	49,250			49,250		49,250	507			507		507
OTHER												
HEALTH												
PHYSICAL & MENTAL HEALTH												
HOSPITALS & SANITARIUMS												
SOLID WASTE												
ZONING	2,132,727			2,132,727	4,610	2,088,117	159,000		11,166	170,166		181,336
OTHER							115,511		15,282	130,793		166,085
CULTURE AND LEISURE												
PARKS AND RECREATION	19,534			19,534		19,534	205,655		50,892	256,547	91,600	164,947
LIBRARIES												
MUSEUMS												
GOLF COURSES												
STADIUMS												
CIVIC AUDITORIUMS												
OTHER												
PUBLIC UTILITIES												
WATER												
GAS												
ELECTRIC												
OTHER												
OTHER												
	89,140,743		355,640	89,496,383	355,640	89,852,023	132,710		6,810	139,520	159,669	20,000
TOTAL EXPENDITURES			355,640	89,852,023	355,640	89,852,023	81,802,919		8150,723	81,933,642	8721,893	81,231,749

FOOTNOTE LEGEND (A)PAID CITY EMPLOYEES, (B)CITY VOLUNTEERS, (C)CONTRACT WITH PUBLIC AGENCY, (D)CONTRACT WITH PRIVATE SECTOR, (E)WHOLLY OR IN PART BY OTHER LOCAL AGENCY, (F)SERVICE NOT PROVIDED WITHIN CITY

FOOTNOTE LEGEND (A)PAID CITY EMPLOYEES, (B)CITY VOLUNTEERS, (C)CONTRACT WITH PUBLIC AGENCY, (D)CONTRACT WITH PRIVATE SECTOR, (E)WHOLLY OR IN PART BY OTHER LOCAL AGENCY, (F)SERVICE NOT PROVIDED WITHIN CITY

1982-83 ASSESSED VALUATION	1982-83 PROPERTY TAXES ALLOCATED AND LEVIED	1982-83 ASSESSED VALUATION	1982-83 PROPERTY TAXES ALLOCATED AND LEVIED
STATE ASSESSED	85,245,150	STATE ASSESSED	85,870,100
LOCALLY ASSESSED	94,939,171	LOCALLY ASSESSED	75,399,982
TOTAL ASSESSED	180,184,321	TOTAL ASSESSED	161,270,082
LESS EXEMPTIONS	857,000	PROPERTY TAXES LEVIED FOR DEBT	86,130,373
OTHER	42,035,900	SECURED AND UNSECURED HOMEOWNERS' PROPERTY TAX RELIEF	6,355,793
TOTAL EXEMPTIONS	842,992,900	TOTAL EXEMPTIONS	912,486,366
NET ASSESSED VALUE	857,791,323	NET ASSESSED VALUE	800,791,806
VOTER APPROVED TAX RATE		VOTER APPROVED TAX RATE	

