Excerpt from Sorting Out Prop 13’s Impact On Education

MAUREEN CAVANAUGH (Host): Tracing the source of California's fiscal problems is not easy. Our state has developed a particularly complicated way of both collecting revenue and allocating funds. But there is one date in California's budgetary history that is often cited as a watershed. It was the passage of Proposition 13. When that initiative was approved by voters in 1978, it capped property tax at one-percent of purchase price and limited yearly increases to 2%. The results of that measure have affected our schools, local governments and homeowners, both positively and negatively ever since. Joining me now is KPBS reporter Joanne Faryon. She hosts the Envision special on KPBS-TV tonight called “The Legacy of Prop 13. Now, I know you’ve done a lot of research into this and this is sort of an unfair question but I’m going to ask it anyway, Joanne. How has – what are the ways Proposition 13 has actually been good for California?

JOANNE FARYON (KPBS Reporter): Well, if you’re a homeowner, it’s hard to argue that this hasn’t been a good thing. And when I say good I want to kind of qualify that as a homeowner, first of all, so there’s good and bad. That, you know, you know from year to year what your tax bill will be. So, again, if you’re buying a home, you’re buying a condo, you know what your mortgage is, there’s a fixed interest rate. You know, when you buy your home also, your – really, your tax bill’s going to stay pretty much the same. Again, that two – it can increase by about 2% if inflation goes up but let me give you another example. My house, I’ve owned it nine years, my tax bill in those nine years, even though my house value has doubled, and my taxes have only gone up by $570.00 in those nine years. So when you spread that out over 12 months, I mean, it’s, you know, what is it, less than fifty bucks a month. So you have this certainty. Also, I spoke to a number of people who are in the situation, when you – let’s say you’ve paid off your house, you’re retired, you’re on a fixed income, and your house might be worth a million dollars in this county, you know, if you’ve owned it 30 or 40 years. Well, how – paying the taxes on a million dollars if we didn’t have Prop 13, how many people can do that? That would be thousands of dollars a year. A lot of people who own homes worth that much are quite literally paying a thousand dollars a year because of Prop 13. Now, having said that, does that mean – why’s it bad? Well, where do you think we get our money from to fund services, school districts, firefighters, our police force, our libraries. I mean, we have to get the money from somewhere. And before Prop 13, this is where most counties got more than half their budgets, from collecting these local property taxes. So I think it’s only common sense that tells us that if we went from, you know, paying this much money in taxes to fund services, now we say forget it, we’re not going to do that anymore, well, something’s got to give eventually.

CAVANAUGH: I want to ask you, Joanne, what you found out about how Prop 13 has, indeed, impacted, affected the – our education spending in California.
FARYON: Right, and education, again, before Prop 13, more than half of school budgets came from local property taxes. Today, that’s down to 20% so, again, a dramatic shift that before Prop 13, I believe the state had a $10 billion education budget, after Prop 13 they lost, overnight, a third of that, more than $3 billion. So education seemed to be the biggest loser in all of this. So what happened? Well, the state had to take over, that you couldn’t just say, okay, we’ve passed this proposition now, schools, we don’t have any money for teachers. So through a series of laws and ballot measures, a different form of funding for education came into play. And I have to tell you, I’ve been exchanging e-mails with somebody who studies this and he – it’s so complicated, his joke was that only five people in the state of California understand education funding and they can never be on the same plane together. So it’s a very complicated formula. But the bottom line is, the state is now on the hook for more than half of school budgets. What’s happening? What do we see today? Well, more cuts to education. Why is that? Well, if the state is relying so much on income tax and sales tax and corporate tax for its money—and we’re in a recession—all of those taxes get decreased. So you really have this ballooning affect, lower property taxes, lower income taxes, less money for the state, less money for the county, and education really ends up suffering because of it.

CAVANAUGH: And I believe that you found out some statistics about the spending per pupil, how California’s amount has gone down over the last 30 years.

FARYON: Yes, and so, again, we got really great comments throughout this project, people asking questions and it was, again, an e-mail that kind of prompted this research. And somebody wrote to me and said, look, I really want to know per pupil are we really spending less? Have we been spending more every year? What’s the deal? So what we can tell you is every year California does spend more per pupil than the year before. I think I might’ve seen one or two years where you saw that number either decrease or stay about the same but overall every year we spend more. But relatively speaking, in terms of the rest of the country, what are they spending? We’re not. We are increasingly spending less than other states and so we looked for the past more than 40 years. 1965 was the last time California actually was at the top of the heap and we were number five in terms of the rest of the country in what we spent per pupil. At the time, in 1978, when Prop 13 passed, I think we were 14th. Immediately after, after the proposition went through, we fell to 22. In the eighties, we dipped below the national average, and we’ve never recovered. We’re now at number 43. I do want to make the important distinction, this is relatively speaking, so you have to understand, this is a bit of a race, a spending race between the states. I spoke with an expert in education funding, Julian Betts, and he’s a professor, economics professor at UCSD. He studies this. He looks at our local districts, school districts, in terms of what they spend their money on. And he puts a finer point on this, that even if we’re spending less, you still have to ask the question: Are we spending it well? What are we spending it on? And what are our outcomes? But are we losing the race in terms of spending? Yes, we are relative to the rest of the country.