Proposition 13 in Recession and Recovery

Steven M. Sheffrin
Terri Sexton
1998

Foreword

Twenty years ago, Proposition 13 marked the beginning of a tax-limitation movement that has profoundly affected the fiscal relationship between state and local governments and the provision of public services in California. Many of the consequences of Proposition 13 have been predictable; some have been quite unexpected.

When the initiative was passed in 1978, it is unlikely that anyone thought about how it might operate in a recessionary environment. Although the state did experience several mild economic slumps over the next fifteen years, housing inflation continued, steadily widening the gap between the property taxes of more recent home buyers and those who had owned their homes for many years. But in 1991, California entered one of the severest recessions in the history of the state. Housing prices fell sharply in many areas, and businesses and homeowners began to flood county assessors with appeals for property reassessment.

In this report, Steven Sheffrin and Terri Sexton examine how falling property values in Los Angeles County and San Mateo County affected

the disparity between property taxes within different categories of properties, ranging from owner-occupied single family homes to commercial and industrial property. They find that declining real estate prices from 1991 through 1995 diminished the gap between market value and assessed value and thus reduced some of the inequities in the property tax system introduced by Proposition 13. Whether these inequities will return during the recovery in real estate prices depends on a number of critical factors, which are discussed in the report.

The authors also look at the tremendous workload imposed on county tax assessors throughout the recession and recovery. Statewide, the number of appeals increased 300 percent in 1992–93 and continued to grow, increasing by an additional 110 percent in 1993–94, another 20 percent in 1994–95, and another 7.7 percent in 1995–96. Although the number of appeals has begun to decline, it is unlikely that it will ever return to pre-recession levels because taxpayers are now more aware of changing property values and are more knowledgeable about the appeals process. Although the state has established a temporary loan program to help counties work through the backlog of cases, the authors suggest that a more permanent and viable source of revenue is needed to support property tax administration in California.

This is the sixth in a series of studies that PPIC has published to help improve understanding of state and local governance and finance in California. It is the first to be published under the aegis of PPIC's Extramural Research Program, which funds external research on social, economic, and political policy issues affecting California.

David W. Lyon
President and CEO
Public Policy Institute of California

Summary

Twenty years ago, California voters approved Proposition 13, limiting the rate at which property is taxed to 1 percent, as well as limiting increases in assessments. Every time property is constructed or sold, it is assessed at its full market value, usually its selling price. Properties for which there are no changes of ownership can be increased only by a maximum of 2 percent a year. Until 1991, this property tax system operated in an era of inflation and rising property values, creating disparities between virtually identical properties. Our collective understanding of the effects of Proposition 13 was developed in this regime.

From 1991 through 1995, California experienced a prolonged recession. During this five-year period, the decline in property values was significant and widespread, with home values falling as much as 30 percent in many locations. This sharp fall in property values, as well as the recent upturn in the state, has affected the magnitude of the inequities and inefficiencies resulting from California's property tax

system and has dramatically altered the job of the county assessor. This study analyzes the changes in California's property tax system caused by the recession and the recent recovery.

Our work examines in detail the changes in property tax disparities in Los Angeles County and San Mateo County. The sharp fall in property values in Los Angeles County, as well as natural turnover of properties, sharply reduced some of the disparities in assessment caused by Proposition 13. Our research demonstrated that disparities have been reduced for all classes of property and along a geographical dimension as well. In Northern California, the declines in property values were relatively modest. Thus, for San Mateo County, there was some reduction in the disparities but the declines were not as large. If housing prices remain flat (or increase by less than 2 percent a year), inequities will continue to be reduced, although they will not be fully eliminated, through turnover and new construction.

Will the natural forces of turnover and new construction eventually lead to a reasonably equitable property tax system in California? Before reaching this conclusion, there are some very important caveats. First, if property price appreciation begins to exceed 2 percent per year on a sustained basis, inequities will increase. Second, a disproportionate share of the owner-occupied properties that have not been sold since 1975 are held by the elderly. The choices they make in the disposition of their property—in particular, whether they pass it on to their children or grandchildren—will largely determine whether this class of property, the one with the greatest disparities, will decrease over time.

Although the general decline in property values that accompanied the recession in California helped to eliminate some of the inequities in assessments, it has put a tremendous strain on California's already

understaffed and underfunded county assessors. Under the provisions of Proposition 13, a property's assessed value must be the lower of its factored base year value (original assessed value plus a maximum of 2 percent a year) or its current market value. Before the recession that began in 1991, the assessor's job was relatively easy. Determination of assessed value for the majority of properties involved simply adjusting the previous year's assessed value upward by 2 percent or by the rate of inflation, whichever was smaller. Only properties that had changed ownership or included new construction needed to be appraised by the assessor's office. However, since 1991, the market value of many properties has fallen below their factored base year values. Under Proposition 8, a constitutional amendment passed by California voters in November 1978, a property whose market value falls below its factored base year value on January 1 must be assessed or enrolled at its market value for that date. This legislation provides temporary property value reductions when property suffers from a "decline in value." Such properties are commonly referred to as Prop 8 properties. In subsequent years, these properties must be reviewed and reassessed at market value unless, or until, their market values again exceed their factored base year values.

Beginning in 1991–92, assessors began to see an increase in the number of appeals filed by property owners who believed that the market values of their properties had fallen below their assessed values. The number of appeals escalated sharply through the 1990s. This rapid growth in appeals came at a time when assessors' budgets were in decline. There were no funds for hiring more staff and hence backlogs of work developed. If an appeal is not resolved within two years, the assessor is obligated to enroll the property at the value claimed by the owner on the

appeal. To prevent further growth in their backlog of appeals and to avoid the inequities that would arise from lowering values only for those properties that were appealed, assessors began to make mass, downward adjustments in assessed values.

When properties are classified as Prop 8, they must be assessed at their true market value. Coupled with recent sales and new constructions that are also assessed at market value, Prop 8 assessments have increased to the point that in some counties more than one-third of the parcels are now assessed at market value instead of by factored base year value. This also means that the assessor must reassess each of these properties every year until they are back at factored base year value.

The 1993 property tax shift cut the counties' share of property tax revenues in half and caused serious staffing and incentive problems for county assessors. It was much easier for boards of supervisors to cut the budgets of assessors' offices than to cut county programs that provide direct services to residents, particularly when the amount of property tax revenues at stake was so low. Since the state receives 53 percent of property tax revenue, it has a strong interest in property tax administration. The state enacted the State-County Property Tax Administration Program, which provided "loans" directly to the assessor. These loans were "paid off" through specific actions taken to increase the efficiency of property tax collection.

As we look down the road to the point where property values have fully recovered, assessments have been fully restored, and appeals have declined to more normal levels, property tax administration problems in California will still remain. Programs such as the State-County Property Tax Administration Program provide only temporary and therefore partial solutions. In many ways, the current system does not provide

incentives for cooperation between locally elected county assessors and the California State Board of Equalization—the oversight body. The State-County Property Tax Administration Program provides a stopgap measure, but we need to begin designing a system now to put into place when this program expires to insure efficient administration of the property tax in California.

Contents

Figures

Tables

Acknowledgments

A number of individuals contributed to our understanding of the issues addressed in this study and we would like to thank them. Alan Flory, the Yolo County Assessor, first pointed out to us some of the issues involved in property taxation with declining real estate values and helped us frame our study.

We had extensive discussions with a group of assessors on the changing climate of property taxation. We would like to thank Larry Stone, Santa Clara County; Gary Orso, Riverside County; Mike DeFerrari, Stanislaus County; Roger Fong, Sacramento County; John Scott, Alameda County; and Kenneth Hahn, Los Angeles County, for sharing their unique perspectives. Max Goodrich from Los Angeles County also provided useful advice as did Pedro Reyes from the Department of Finance.

Our reviewers for the project, Jan Brueckner, Michael Teitz, and Jeff Reynolds, helped us sharpen our story. We owe a special debt of gratitude to Robert Cenzer who processed the vast amounts of data used

in the study and co-authored a working paper on Los Angeles County with us. Bob worked with us on our earlier study of Proposition 13 and enabled us to make detailed comparisons to our earlier work. We could not have completed this study without his assistance.

1. Introduction

Twenty years ago, California voters approved Proposition 13, limiting the rate at which property is taxed to 1 percent, as well as limiting increases in assessments. Every time property is constructed or sold, it is assessed at its full market value, usually its selling price. After that value is established, assessed value may increase by no more than 2 percent per year until the next transfer of ownership takes place. Property purchased before March 1, 1975, and not subsequently sold is assessed at the 1975 assessed value plus 2 percent per year. These provisions of Proposition 13 have been the source of well-documented inequities and inefficiencies in the property tax system.

From 1991 through 1995, California experienced a prolonged recession. During this five-year period, the decline in property values was significant and widespread, with home values falling as much as 30 percent in many locations. The decline was sharper in urban areas and in the commercial sector and particularly strong in Southern California. This sharp fall in property values, as well as the recent upturn in the

state, has affected the magnitude of inequities and inefficiencies resulting from California's property tax system and has dramatically altered the job of county assessors. This study analyzes the changes in California's property tax system caused by the recession and the recent recovery.

In our book *Property Taxes and Tax Revolts: The Legacy of Proposition 13* and our report to the California Policy Seminar, *The Future of Proposition 13,* we (along with Arthur O'Sullivan) analyzed the economic and fiscal consequences of Proposition 13 in detail.[1] This body of work provided the most comprehensive description of Proposition 13 that was available. In this work, we:

- Identified and measured the inefficiencies and inequities that can result from an acquisition-value-based property tax system;
- Identified specifically the winners and losers under Proposition 13;
- Analyzed the fiscal effects on local governments; and
- Analyzed changes in state and local government fiscal relations resulting from passage of Proposition 13.

The results and conclusions of our empirical study depended upon the rate of property value appreciation which, in all but one year since 1978, was in excess of 2 percent per year. Inflation in excess of 2 percent a year creates inequities in assessments. To understand these inequities, consider these data: In 1991, homeowners who had resided in their current homes in Los Angeles County since 1975 (a group that constituted 43 percent of all homeowners in the county) were, on

---

[1]Arthur O'Sullivan, Terri A. Sexton, and Steven M. Sheffrin, *Property Taxes and Tax Revolts: The Legacy of Proposition 13,* New York and Cambridge: Cambridge University Press, 1995.

average, underassessed relative to market value by a factor of five. This means that actual market value had increased to a level five times that of assessed value and that the property taxes due on two such identical homes would differ by a factor of five if one of the homes were to sell. This inequity in tax bills increases over time as long as the rate of property inflation exceeds 2 percent.

Appreciation of property values also tends to increase the relocation penalty associated with an acquisition-value-based tax, because appreciation increases the gap between assessed and market values. If a property owner were to move from a property owned for several years to one of equal market value, his property taxes would increase. This penalty results in inefficient resource allocation because it discourages mobility. Thus, in addition to producing inequitable assessments, Proposition 13 leads to economic inefficiencies.

As long as property values increase at a rate in excess of the maximum allowable rate of increase in property tax (2 percent), the assessor has only to automatically increase by 2 percent assessments of properties that have not sold. There is no need for the assessor to visit the property and make a detailed appraisal of its market value or conduct an elaborate statistical analysis; in these circumstances, market value is irrelevant for properties that do not sell. Moreover, when properties do sell, the selling price can be used as the basis for the assessment.

The recession in the early 1990s had important effects on both the equity and the efficiency of the system as well as on its administration. The decline in property values reduced the disparities between market and assessed values and thereby reduced the related efficiency costs. From the administrative point of view, if property values decline, the assessor is obliged to adjust assessments to the smaller of (1) the original

assessed value factored up by 2 percent a year or (2) actual market value. For most properties not recently sold, the factored assessed value will still be less than market value even if market value has declined. But the assessor is required to consider market values especially for recently sold properties and make downward adjustments when necessary. Throughout the state, many homeowners and businesses have taken advantage of these provisions of Proposition 13 through appeals or business reorganizations designed specifically to trigger reassessments.

However, one related aspect of the law is not well understood and can lead to some unpleasant surprises for property owners. Suppose that the assessed value of a property was reduced, for example, by an appeal. If property values subsequently appreciate, assessments can jump back to their prior (pre-appeal) level, provided market value exceeds that level. Assessments can be adjusted fully back to factored assessed value in a single year. These readjustments are not subject to the 2 percent per year limitation.

For example, consider a home that is assessed at $150,000 in 1995 but, because of a decline in real estate prices, now has a market value of only $140,000 in 1996. The assessor is required to reduce the assessment to $140,000 for 1996. If, in 1997, the housing market in this location has recovered and this home is found to have a market value of $160,000, the assessor can increase the assessment back to $150,000 plus 2 percent for 1996 plus an additional 2 percent for 1997 for a new assessed value of $156,060. In this case, the one-year increase in assessed value would be $16,060 or 11 percent.

The widespread decline in property values in California has dramatically increased the workload of county assessors. They have been flooded with appeals, in many cases ten times the normal number, even

though across-the-board reductions in assessments have often been implemented. In some counties, property values have begun to recover and some of the recovery is reflected in rising assessments. However, other counties are still in the process of reducing assessments.

This work examines how California's property tax assessment operated during a period of declining and then recovering property values. In particular, we address the two following sets of questions:

1. How have disparity ratios (the ratio of market value to assessed value) changed since 1991, the last date for which we have accurate information on disparity ratios? One would expect a decline in market value to lead to decreases in disparity ratios, but are such decreases uniform across all property?
2. How has the decline and recent recovery in property values changed assessment practices? How have county assessors coped with sharp increases in appeals and the requirement to reduce (and later restore) assessments for substantial numbers of properties? Does the current assessment system in California work efficiently and protect the fiscal interests of state and local governments in California?

In Chapter 2, we address the first set of questions. We selected two counties—Los Angeles and San Mateo—and estimated the property tax disparities within each county. Los Angeles County is the largest in California, accounting for approximately 30 percent of the assessed value in the state, and it experienced some of the sharpest declines in real estate values within the state. San Mateo is a representative Northern California urban county. Both of these counties were included in our 1991 study, and thus those data are available for comparison.

Our procedure for estimating property tax disparities starts with the complete property tax roll for a county for the two most recent years. Using recent sales of properties, we can estimate the disparity ratio for

different classes of properties. If there are sufficient sales, it is possible to estimate average disparity ratios for all classes of property. These estimates can then be combined with current assessed value, by class of property, to provide overall estimates of market value. The results can then be compared to those obtained in 1991, which were described in detail in our prior work. We use the same categories and classifications to facilitate the comparisons. Although the key comparative statistics are presented in the text, the appendix presents a complete picture of the property tax inequities in the two counties for the current period.

In Chapter 3, we address issues concerning property tax administration. We conducted a series of interviews with county assessors and state officials to learn about changes in practices and their perspectives on the problems facing the property tax system in California. These interviews were quite revealing and highlighted significant changes in the property tax assessment system that have already occurred. They also highlighted some potential problems. In addition, the assessors provided us with data on appeals and the methods used and time lags involved in dealing with them.

In Chapter 4, we address some of the key findings and policy issues raised in our investigation. Two key issues emerge. First, the decline in real estate values has changed California's property tax system to one that relies much more extensively on determining market value assessments than on making automatic adjustments to assessed value. Does the current assessment system have the resources to work effectively in this environment? Second, recent changes in property tax allocations have increased the share of property tax revenues that flow directly to the state and reduced the share of property tax revenues that flow to the county. In this new era, what is the proper role of the state and the State Board of

Equalization in insuring that the property tax system functions efficiently?

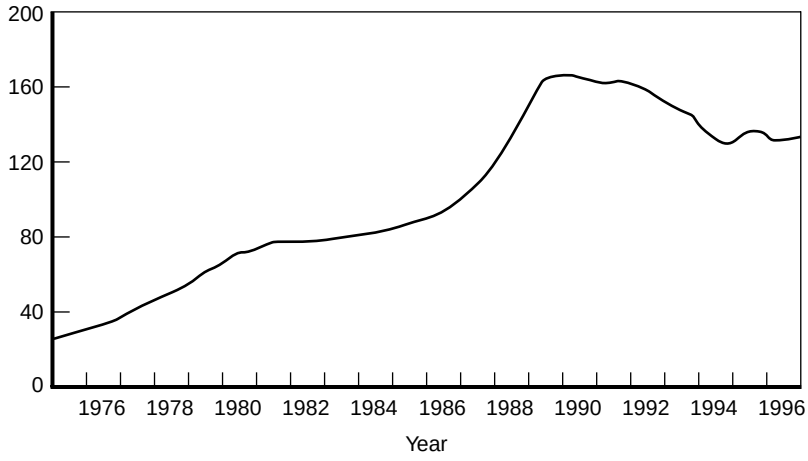
2. How Have the Disparities Changed?

As we discussed in Chapter 1, the system of property tax assessment created under Proposition 13 produces inequities for similarly situated property owners as long as increases in real estate prices exceed 2 percent per year. Under Proposition 13, the assessed value of property cannot increase by more than 2 percent per year until the property is sold, at which time the property is reassessed at its full market value. Until the early 1990s, inflation in real estate generally exceeded 2 percent a year, thereby creating gaps between the assessed value of properties and their true market value. In turn, this created inequities between buyers of property and owners of property who chose not to sell and who benefited from property tax assessments below market value. Prior research revealed that the largest disparities occurred in the large urban areas in Southern and Northern California.

The recession that occurred in California during the early 1990s had important effects on the disparities in property taxation in California. As

the state experienced a severe recession from 1991 through 1995, property values fell in many parts of the state. Declining real estate prices have important effects on an acquisition-value-based property tax system such as Proposition 13. In particular, declining market prices for housing reduce the gap between market value and assessed value, thereby also reducing some of the inequities in the system.

The extent of the decline in real estate values differed sharply within the state. Figure 2.1 plots an index of quality-adjusted housing prices for the Los Angeles area based on data supplied from Freddie Mac (a financial intermediary). From their peak in the first quarter of 1990 to their trough in the first quarter of 1995, housing prices fell throughout the county by 27.5 percent. This was the first significant decline in housing prices since the passage of Proposition 13. The decline in Los



SOURCE: Freddie Mac repeat sales index.

Figure 2.1—Index of Housing Prices for Los Angeles County

Angeles was greater than in other areas of the state. For example, in the San Jose area, the fall in housing prices from peak to trough was only 12.5 percent, whereas in the Santa Rosa area, prices declined only 5.2 percent.

In this chapter, we explore how the recession in the early 1990s affected the disparities in property taxation within the state. It builds on the work and follows precisely the methodology of our earlier study in which we conducted a systematic investigation of property tax disparities in a number of counties in California.[1] In the present study, we examine Los Angeles County and San Mateo County. Since Los Angeles County accounts for nearly 30 percent of the assessed value in the entire state, it is important to understand the changes in property tax disparities within this county. Moreover, since the drop in real estate values differed sharply between Southern and Northern California, it is important to include a representative northern county, such as San Mateo. Both counties were studied in detail in our earlier work and thus we can pinpoint precisely the changes that have occurred.

In the next section, we outline the methodology that we employ to measure the disparities in both counties. We then present our analysis of the current disparities for both counties and compare them to the period before the onset of the recession. The appendix contains the detailed results of our investigation for both counties, classified by property type and the year since the last sale.

---

[1]See O'Sullivan, Sexton, and Sheffrin (1995).

Methodology

To measure and evaluate property tax disparities, we first review some of the key features of the assessment provisions contained in Proposition 13. One key concept in the implementation of Proposition 13 is the "base year." When Proposition 13 was passed by the voters in 1978, assessments were rolled back to the values for the property that prevailed in 1975. Subsequently, the assessed value of properties can be increased only by a maximum of 2 percent a year until the property is sold, at which time it is assessed at market value. The base year of properties is defined as the year of the most recent sale; however, for properties that were in existence in 1975 and have not sold, the base year is 1975. The base year for a newly constructed property will initially be the year in which it first appears on the property tax roll.

As long as housing price inflation exceeds 2 percent a year, properties with more recent base years will be assessed closer to market value than properties with older base years. Thus, it is important to keep track of the base year for properties to measure disparities between market and assessed values. The base year is the most important piece of information necessary to estimate the disparities between market and assessed value.

Properties can have multiple base years. If a property owner makes a substantial modification to a property—a new wing to a house or a new structure on an existing piece of land—the new part of the property will have a separate base year. Large commercial and industrial properties often have multiple base years, reflecting a series of major modifications to the property. Many residential properties will also have substantial modifications. Keeping track of the precise number of modifications for each class of properties is not possible. In our empirical work, we make a distinction between properties with a single base year and properties with

multiple base years. We term these properties "nonmodified" and "modified," respectively.

In our earlier work, we found that the pattern of new construction and turnover differed sharply for four types of properties and thus we analyzed each type separately. These groups were:

- Single family residential property (owner-occupied);
- Single family residential property (not owner-occupied);
- Multifamily residential; and
- Commercial and industrial.

In California, homeowners are allowed a $7,000 reduction in their assessed value before the property tax rate is applied. Assessors must maintain a record of this exemption; thus, we are able to distinguish between single family residential properties that are owner-occupied and those that are not owner-occupied but are used for rental, vacation, or other purposes. In our previous work, we found that owner-occupied properties were sold less frequently than other single family residential properties. Consequently, the base year distributions of the two types of properties were quite distinct.

Multifamily residential property consists of apartment complexes. Commercial and industrial property is defined as property that is used for nonresidential business purposes. For both categories, there is a wide range in the size and value of properties. Counties also have to keep records for other smaller classes of property as well as for vacant land. We did not include these in our analysis.

Within each group, we distinguish between nonmodified and modified properties. Thus, there are actually eight distinct subgroups of

property that we must analyze in our empirical work. For each group, we also categorize property by its base year.

Our goal is to estimate the disparity ratio—defined as the ratio of market to assessed value—for different types of property. Although data on assessed values are available for all properties, market values are not. For a single property, it would be possible to conduct an appraisal and approximately determine its market value. However, this approach is clearly not feasible for a large, comprehensive study. To obtain measures of market values, we rely on a method based on the sale of properties.

Specifically, we first obtain data on all properties for two consecutive years and determine which properties have been sold in the most recent year. When a property is sold, we know its new market value (the sale price) and we also know its assessed value from the prior year. For each sale, we can thus calculate the ratio of market to assessed value—the disparity ratio for that property. We then separate all sales into categories based on three factors: the prior base year, the type of property, and whether or not the property had been modified. Within each category, we calculate the *median* disparity ratio for all the properties that were sold. These median disparity ratios are our preferred measures of property tax disparities and are used in all subsequent calculations.

Our method embodies several assumptions and choices. First, we assume that the sales that actually occur are representative of the underlying properties within each category that do not sell. This is the standard approach underlying the "sales approach" to property tax assessment that is widely used throughout the world. It is based on the principle that most sales of property occur for idiosyncratic or random reasons. Potential biases are also mitigated through the process of

disaggregating the data into eight separate categories. Second, we use the median rather than the mean of the disparity ratios for properties within each category. Our inspection of the data revealed that a few properties had unusually high disparity ratios that, in part, could be caused by errors in reporting assessed values.[2] Using the median disparity ratios minimizes the importance of these "outliers."

This study applies the methodology to two periods. We examined all sales of property that occurred in Los Angeles and San Mateo Counties in 1990–91 and in 1995–96. This period brackets the downturn in real estate prices. In each time period, we used data for two consecutive years. This involved analyzing approximately eight million property records for Los Angeles (approximately two million per year) and 1.4 million for San Mateo.

Once we have estimated disparity ratios, we then use them to estimate the total market value of all properties within the county. By comparing the estimated market value to its current assessed value, it is possible to determine the loss in revenue that is due solely to the assessment provisions contained within Proposition 13 and how this revenue gap has changed because of the recession and fall in real estate prices.

Los Angeles County

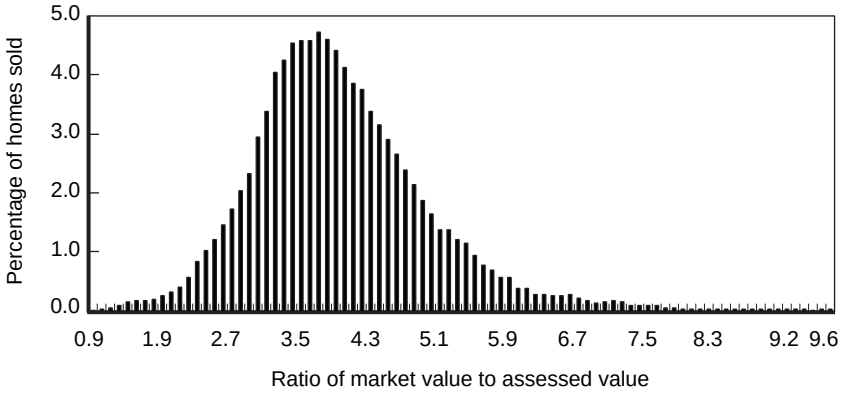
Owner-Occupied Single Family Residential Property

To illustrate our results for Los Angeles County, it is instructive to study a single and representative case in detail—owner-occupied single

[2]Since we are working with ratios of market to assessed values, it is important to use methods that are robust to reporting errors.

family residential property that has not been modified (i.e., has a single base year). Recall that we calculate a disparity ratio for each property that is sold classified by base year and property type. Figure 2.2 depicts the entire distribution of disparity ratios for 1975 base year properties that were sold in the 1995–96 period. It is clear from the figure that there is no single, unique disparity ratio and thus it is necessary to develop a summary measure. The median disparity ratio in this distribution is 3.84. For the reasons discussed above, this is our preferred estimate of the disparity ratio for 1975 base year properties for this class of properties. For each base year and each class of property, we calculate a similar statistic for the 1995–96 period as well as the 1990–91 period.

Tables 2.1 and 2.2 present the essential data for this class of property for the 1990–91 and 1995–96 periods, respectively. The formats of the



SOURCE: Authors' analysis of data obtained from the Los Angeles County Assessor.

Figure 2.2—Disparity Ratios for Properties in Los Angeles County: 1975 Base Year, Owner-Occupied, Nonmodified

tables are identical. The first column in each table contains the base year and the second column contains the number of properties having each base year. (Note that for Table 2.1, the final base year is 1991; for Table 2.2 it is 1996.) The third column is the number of sales in the most recent year. The fourth column contains the median disparity ratio for each base year. The fifth column contains the total assessed value for each base year obtained from the roll data from the county. The sixth column is our *estimate* of the total market value for each base year.[3] It is obtained by multiplying the assessed value by the median disparity ratio for each base year. The remaining columns contain the average assessed and market values for each base year, which are obtained by dividing the totals by the number of properties. Finally, at the bottom of each table is the "revenue ratio." This is defined as total assessed value divided by total market value (over all base years); it measures the degree to which property in this category is "underassessed."

Comparing the two tables, one of the most striking features is the decrease in disparity ratios that occurred between the two periods. Changes in disparity ratios are clearest for the 1975 base year properties, the single largest base year class. From 1991 to 1996, the disparity ratio for 1975 base year property fell from 5.19 to 3.84 or a 26 percent decrease.[4] This is a direct consequence of the fall in real estate prices and

---

[3]It is only an estimate because we are using an estimated value of the disparity ratio to multiply the assessed value of each property.

[4]Although the 26 percent decrease is close to the decline in real estate values based on the Freddie Mac index, these statistics are not directly comparable. This estimate is based on Los Angeles County, not the Los Angeles Primary Statistical Metropolitan Area (PSMA), which is the basis for the Freddie Mac index, and applies only to a subset of properties.

Table 2.1

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Single Family Residential, Homeowner Exemption, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	356634	5,577	5.19	18,659,804,148	96,844,383,528	52,322	271,551
76	19426	389	4.18	1,326,834,652	5,546,168,845	68,302	285,502
77	21607	445	3.55	1,702,199,460	6,042,808,083	78,780	279,669
78	21337	531	2.90	1,976,745,028	5,732,560,581	92,644	268,668
79	22682	681	2.49	2,423,208,788	6,033,789,882	106,834	266,017
80	21944	725	2.04	2,788,094,920	5,687,713,637	127,055	259,192
81	15298	595	1.71	2,338,421,684	3,998,701,080	152,858	261,387
82	12344	535	1.68	1,879,559,160	3,157,659,389	152,265	255,805
83	12290	550	1.70	1,918,948,310	3,262,212,127	156,139	265,436
84	22323	1,045	1.68	3,626,750,841	6,092,941,413	162,467	272,945
85	26140	1,371	1.66	4,263,198,740	7,076,909,908	163,091	270,731
86	34180	1,835	1.62	5,850,112,080	9,477,181,570	171,156	277,273
87	45034	2,383	1.55	8,203,123,236	12,714,841,016	182,154	282,339
88	47509	3,081	1.43	9,544,795,645	13,649,057,772	200,905	287,294
89	56890	4,135	1.27	13,322,045,080	16,918,997,252	234,172	297,398
90	50372	2,884	1.12	13,022,219,812	14,584,886,189	258,521	289,544
91	39217		1.00	10,237,088,029	10,237,088,029	261,037	261,037
Total	825227	26,773		103,083,149,613	227,057,900,301	Av. 124,915	Av. 275,146

Revenue ratio = 0.45

Table 2.2

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Single Family Residential, Homeowner Exemption, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	298113	5460	3.84	17,575,630,408	67,490,420,767	58,956	226,392
76	16372	339	2.98	1,257,626,462	3,747,726,857	76,816	228,911
77	18313	379	2.59	1,625,152,212	4,209,144,229	88,743	229,845
78	18196	429	2.14	1,892,877,464	4,050,757,773	104,027	222,618
79	18906	482	1.78	2,253,469,759	4,011,176,171	119,193	212,164
80	18073	514	1.47	2,566,510,926	3,772,771,061	142,008	208,752
81	12363	353	1.28	2,113,533,574	2,705,322,975	170,956	218,824
82	9944	304	1.27	1,715,216,732	2,178,325,250	172,488	219,059
83	9637	295	1.28	1,691,609,053	2,165,259,588	175,533	224,682
84	17122	534	1.23	3,129,293,238	3,849,030,683	182,764	224,800
85	20286	683	1.22	3,754,813,097	4,580,871,978	185,094	225,814
86	26293	867	1.20	5,011,930,873	6,014,317,048	190,618	228,742
87	35621	1230	1.12	7,153,744,287	8,012,193,601	200,829	224,929
88	38130	1467	1.01	8,316,317,440	8,399,480,614	218,104	220,285
89	47617	1969	0.90	11,179,045,931	10,061,141,338	234,770	211,293
90	44939	1956	0.86	10,207,045,842	8,778,059,424	227,131	195,333
91	39343	1482	0.86	8,815,787,352	7,581,577,123	224,075	192,705
92	45457	1499	0.87	10,572,897,112	9,198,420,487	232,591	202,354
93	43323	1366	0.88	10,280,575,194	9,046,906,171	237,301	208,825
94	39750	1668	0.96	9,464,977,783	9,086,378,672	238,113	228,588
95	43259	6260	0.96	10,296,151,017	9,884,304,976	238,012	228,491
96	35361		1.00	7,963,636,606	7,963,636,606	225,210	225,210
Total	896418	29539		138,837,842,362	196,787,223,391	Av. 154,881	Av. 219,526

Revenue ratio = 0.71

is also evident in our estimates of market values (the last column in the tables) for the two years. An average new purchaser of a home in Los Angeles County today will find that he or she is paying a bit less than four times the basic property tax compared to a homeowner who has been in his home since 1975. As an example, a purchaser of a new home for $240,000 will pay $2,400 at the basic 1 percent rate, but homeowners who have not moved since 1975 would pay only $600 at the basic rate. Actual property tax bills will, in fact, differ less in relative terms because of the myriad of additional charges, such as parcel taxes and special assessments, that are not typically based on assessed value but also appear on the bills. These disparities were significantly larger in 1991.

The fraction of 1975 base year property has also decreased substantially. In 1991, 43 percent of all properties had 1975 base years. By 1996, just five years later, it had fallen to 33 percent. Several factors explain this drop in the 1975 base year percentage.

First, there is natural turnover in the real estate market. A fraction of the 1975 base year property was sold and thus assumed later base years. Between 1995 and 1996, 5,460 1975 base year properties in this class were sold; over the period since 1990–91, total sales of 1975 base year properties amounted to approximately 16 percent of the 1990–91 total of 1975 base years. The second factor that reduces the share of 1975 base year property is new construction, which adds to the total number of properties and thereby reduces the 1975 base year percentage. The third factor appears to be a slight shift to single family property receiving the homeowner's exemption from single family property not receiving the exemption. In effect, either some rental or vacation homes became owner-occupied over this period or, as an alternative possibility,

homeowners who had neglected to file for their exemption in prior years did so during this period. The total number of single family nonresidential properties fell by 50,901 between 1991 and 1996, which is 4.8 percent of the total for single family residential properties (both modified and nonmodified). Although this third factor probably is a one-time change, turnover and new construction will continue in the future.

Assuming that the same rate of decrease in the percentage of 1975 base year properties that occurred between 1991 and 1996 will continue in the future, by 2006 the percentage of 1975 base year property will be approximately 22 percent; by 2016 it will be approximately 14 percent, a relatively small percentage. These estimates are robust to alternative assumptions about the growth of new construction.

The 1975 base year percentages are key statistics because they are the most important source of property tax disparities. As Table 2.2 indicates, the median disparity ratios fall to below 1.3 for base years after 1980. A 30 percent difference in assessments is not unusual in other states that are allegedly on a market-value-based property tax system. Many states reassess properties only on infrequent, fixed cycles and much larger disparities often emerge over the period, although these disparities are rectified following the reassessment. Montana, for example, has recently had to cope with this problem. Another factor limiting some of the inequities is that properties with base years ranging from 1976 to 1980 constitute only 10 percent of the total for nonmodified homeowner property.

Another important comparison for this class of property is between the revenue ratios for the two years. In 1991, the revenue ratio (total assessed value divided by total market value) was 0.45 but by 1996 it had

increased to 0.71. This means that if all property in this category in Los Angeles County were assessed at market value, revenue would increase by 40.8 percent. This is substantially less than the 122 percent increase that would have occurred in 1991.

Other Classes of Property

Table 2.3 summarizes the key statistics for other classes of property in Los Angeles County. For each class, the table contains the disparity ratios for 1975 base years and the percentage of the property with a 1975 base year for both 1991 and 1996. We focus on the 1975 base years because of their relative size and their importance in determining overall disparities. The table also contains the revenue ratios for the entire county for both years.

A number of consistent patterns across property types emerge from the data in Table 2.3. First, the disparity ratios for modified properties are less than those for nonmodified properties. This finding was anticipated, as modified properties are those with multiple and, thus, more recent base years. Second, the percentage of 1975 base years is higher for modified properties. This finding was also anticipated. Modifying a property is an alternative to selling it. Thus, we expect households or corporations that modify properties to have earlier base years on average.

Properties that were modified also experienced less of a decrease in their 1975 base year percentages. Modifying a property is a means of preserving the 1975 base year assessed values for the original portion of the property. Once the decision has been made to modify a property, the owner will often typically want to hold on to the property or make further modifications to it rather than sell it.

Table 2.3

Key Property Assessment Statistics for Los Angles County, 1991 and 1996

Class of Property	Modified?	1991 Disparity Ratio, 1975	1991 Percent 1975 Base Year	1996 Disparity Ratio, 1975	1996 Percent 1975 Base Year
Single family with homeowner exemption	No	5.19	43	3.84	33
Single family with homeowner exemption	Yes	4.35	47	3.24	43
Single family without homeowner exemption	No	5.54	23	3.98	18
Single family without homeowner exemption	Yes	4.46	28	3.22	28
Multifamily	No	6.10	35	4.28	30
Multifamily	Yes	5.51	44	3.71	41
Commercial and industrial	No	5.66	36	3.23	29
Commercial and industrial	Yes	4.19	45	2.34	43
		County revenue ratio for 1991:	0.48		
		County revenue ratio for 1996:	0.73		

Some clear differences also emerge through comparisons across property types. First, single family residences (with the homeowner exemption) turn over much more slowly than rental or vacation property (without the exemption). Since this class of property turns over more rapidly, fewer 1975 base year properties remain today. This is reflected in the substantially smaller percentage of 1975 base year property without the exemption. Second, disparity ratios fell very dramatically in the commercial and industrial category. This is consistent with popular accounts that the commercial real estate market in Los Angeles County experienced very sharp downturns in the first half of the 1990s. The percentage in 1975 base years for commercial and industrial properties that were modified remains relatively high over the entire period. Modified commercial and industrial properties also tend to be much larger than nonmodified properties.

Finally, the revenue ratios for the entire county change sharply over this period, increasing from 0.48 to 0.73. In 1996, if all properties were assessed at market value, revenues would increase by only 37 percent. In 1991, the comparable figure was 108 percent. Thus, over this five-year period, the percentage gain in property tax revenue from moving from the current system to a market-value-based system has decreased sharply.

The appendix contains a set of tables, identical in format to Tables 2.1 and 2.2, for all eight classes of property for both 1991 and 1996. Two important additional findings emerge from these tables. First, disparity ratios for the years from about 1990 to 1995 are often below unity, indicating that the properties were sold for less than their assessed values. In principle, the owners could have appealed their assessments to reduce them to market value; however, because of lags in the appeals process or lack of initiative on the part of the property owners, this did

not occur. We anticipate that this phenomenon will tend to disappear in the near future. As we discuss in the next chapter, assessors throughout the state have started to automatically reduce the value of properties without requiring prior appeals, and delays in resolving appeals have been reduced.

The second notable feature is that modified properties have higher market values than nonmodified properties. (Multifamily property is the one exception.) One potential explanation for this finding is that owners of more valuable properties have found it in their interests to modify properties rather than sell them. In part, this may be a behavioral effect related to tax incentives—that is, the additional property tax benefits that owners receive from the assessment provisions of Proposition 13, relative to owners of less-valued properties.

A Geographical Perspective

Los Angeles County is large enough that it is possible to examine the geographical pattern of disparities within the county and over time. Thirteen major regions within the county are shown in Figure 2.3, which is taken from the web page of the Los Angeles County Assessor. For each region, we examined the disparity ratios for single family residences (nonmodified) with a 1975 base year for both 1991 and 1996. We chose this category because there were at least 100 sales in each region in each year, which permits us to be relatively confident in our estimates of the median disparity ratio. No other property category had sufficient numbers of sales to produce reliable estimates.

Table 2.4 contains the key statistics from our analysis and also provides an index to the map. (Note that the Pasadena/Glendale area comprises two regions.) The table provides the median 1975 disparity

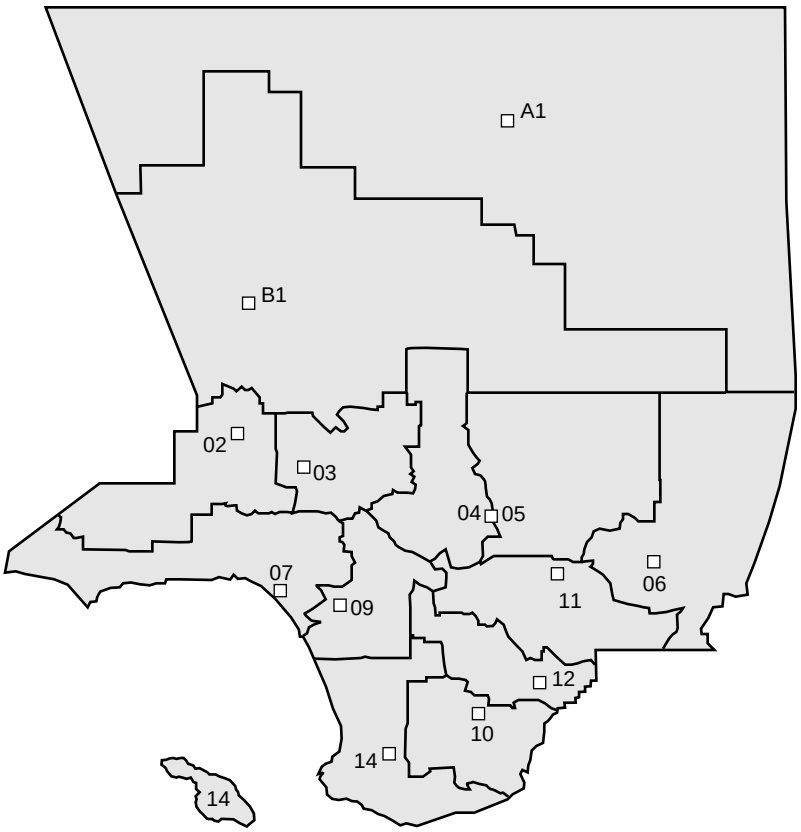


Figure 2.3—Assessment Regions in Los Angeles County

ratio both for 1991 and 1996 as well as the average assessed value for this category of property in 1996.

Several patterns emerge from the table. First, in 1991, the region with the highest disparity ratio was Santa Monica, which also had the highest average assessed value. The lowest disparity ratios tended to occur in outlying areas with lower assessed values, such as West Covina and Lancaster. The one exception to this pattern appears to be

Table 2.4

Changes in Disparities Within Los Angeles County

Name of Region	Region Number	1991 1975 Median Disparity Ratio	1996 1975 Median Disparity Ratio	Average Assessed Value in 1996 (dollars)
Chatsworth	2	4.7	3.2	74,812
Van Nuys	3	5.0	3.4	58,575
Pasadena/Glendale	4	6.4	4.2	61,379
Pasadena/Glendale	5	6.0	4.6	55,107
West Covina	6	4.9	3.8	45,778
Santa Monica	7	7.0	4.3	124,734
Culver City	9	5.6	4.1	52,633
Long Beach	10	5.0	3.6	48,743
South El Monte	11	5.0	3.8	48,051
Norwalk	12	5.2	4.0	42,958
Lomita (Catalina)	14	5.5	4.1	64,969
Lancaster	A1	3.8	2.3	39,808
Santa Clarita	B1	4.7	3.3	50,066

NOTE: Owner-occupied, single family properties that have not been modified.

Chatsworth, the area north of Santa Monica, which has a high average assessed value but a relatively low disparity ratio.

Second, disparity ratios fell sharply in all the regions from 1991 to 1996 and have tended to become more equal. For the entire county, the median disparity ratio for this class of property fell from 5.19 to 4.84. Santa Monica's disparity ratio fell from 7.0 to 4.3 and Pasadena/ Glendale (region 4) fell from 6.4 to 4.2. On the other hand, West Covina's disparity ratio fell only from 4.9 to 3.8. These findings suggest that, on average, housing prices fell more in the wealthier areas of the city, thereby reducing the range of disparities across districts.

San Mateo County

As the fall in real estate prices was significantly less in Northern California, we would expect to find less dramatic changes in the disparities in San Mateo County. This is indeed the case. We restrict our analysis to single family residential property because the number of sales for other classes of properties, in both 1991 and 1996, is too small to make meaningful and reliable judgments about changes in disparities.

Table 2.5 and 2.6 contain the data for nonmodified owner-occupied housing for 1991 and 1996, presented in a format identical to Tables 2.1 and 2.2. Several key features emerge from the table. First, 1975 base year disparity ratios fall from 4.58 to 4.32—a 5.7 percent decline. This is a much more modest decline than this study found for Los Angeles County or that the Freddie Mac statistics found for nearby San Jose. The relatively modest decline in real estate prices also affects the disparities for other base years. In 1996, only base years after 1987 have disparity ratios less than 1.3. This implies that over 54 percent of all owner-occupied nonmodified properties have disparities greater than 30 percent—again, a smaller number than in Los Angeles County.

One feature consistent with Los Angeles County is the decline in the percentage of properties with 1975 base years. In 1991, approximately 40 percent of this class of property had 1975 base years. By 1996, this percentage fell to 32. Since the number of properties in this class grew by less than 1 percent, the decrease in the base year percentage was primarily due to the natural turnover process. Assuming the same rate of decrease in the 1975 base years, by the year 2006 the percentage will have fallen to approximately 21 and by 2016 to approximately 14 percent.

Table 2.5

Disparity Ratios and Other Data for Properties in San Mateo County: 1991, Single Family Residential, Homeowner Exemption, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	45521	944	4.58	3,364,275,026	15,408,379,619	73,906	338,489
76	2437	84	3.50	217,877,548	762,571,418	89,404	312,914
77	3006	84	3.32	314,343,432	1,043,620,194	104,572	347,179
78	2705	73	2.48	357,333,205	886,186,348	132,101	327,610
79	3253	99	2.31	452,820,853	1,046,016,170	139,201	321,554
80	3032	108	2.09	493,733,912	1,031,903,876	162,841	340,338
81	2121	73	1.63	425,461,995	693,503,052	200,595	326,970
82	1739	68	1.47	363,124,068	533,792,380	208,812	306,954
83	2821	196	1.71	567,187,439	969,890,521	201,059	343,811
84	3818	205	1.58	788,997,336	1,246,615,791	206,652	326,510
85	3882	223	1.51	825,328,728	1,246,246,379	212,604	321,032
86	4996	325	1.46	1,153,546,424	1,684,177,779	230,894	337,105
87	6655	401	1.34	1,655,471,180	2,218,331,381	248,756	333,333
88	6558	542	1.20	1,864,163,964	2,236,996,757	284,258	341,110
89	7725	546	1.09	2,411,799,075	2,628,860,992	312,207	340,306
90	6359	498	1.08	2,002,976,897	2,163,215,049	314,983	340,182
91	8731		1.00	3,060,913,980	3,060,913,980	350,580	350,580
Total	115359	4469		20,319,355,062	38,861,221,686	Av. 176,140	Av. 336,872

Revenue ratio = 0.52

Table 2.6

Disparity Ratios and Other Data for Properties in San Mateo County: 1996, Single Family Residential, Homeowner Exemption, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	37651	1409	4.32	2,874,661,016	12,418,535,589	76,350	329,833
76	2005	91	3.51	182,824,069	641,712,482	91,184	320,056
77	2487	112	3.07	272,964,987	838,002,510	109,757	336,953
78	2183	98	2.45	296,725,156	726,976,632	135,925	333,017
79	2582	150	2.26	373,931,249	845,084,623	144,822	327,298
80	2412	129	1.84	411,229,297	756,661,906	170,493	313,707
81	1635	96	1.53	343,298,713	525,247,031	209,969	321,252
82	1361	71	1.52	296,699,753	450,983,625	218,001	331,362
83	2122	111	1.61	447,163,854	719,933,805	210,728	339,271
84	2705	180	1.47	582,377,056	856,094,272	215,297	316,486
85	2779	179	1.46	624,769,484	912,163,447	224,818	328,234
86	3559	233	1.35	854,486,140	1,153,556,289	240,092	324,124
87	4584	346	1.23	1,194,172,035	1,468,831,603	260,509	320,426
88	4385	297	1.13	1,275,706,053	1,441,547,840	290,925	328,745
89	5138	252	1.10	1,528,383,586	1,681,221,945	297,467	327,213
90	4253	203	1.08	1,242,805,790	1,342,230,253	292,219	315,596
91	4056	191	1.09	1,284,520,865	1,400,127,743	316,696	345,199
92	4677	222	1.07	1,557,084,162	1,666,080,053	332,924	356,228
93	5433	233	1.11	1,776,761,633	1,972,205,413	327,031	363,005
94	6250	411	1.10	2,155,859,191	2,371,445,110	344,937	379,431
95	4996	293	1.22	1,771,251,552	2,160,926,893	354,534	432,531
96	8960		1.00	2,862,018,679	2,862,018,679	319,422	319,422
Total	116213	5307		24,209,694,320	39,211,587,743	Av. 208,322	Av. 356,228

Revenue ratio = 0.62

Table 2.7 contains key data for all the single family classes of property. Although there are declines in the 1975 disparity ratios for all classes of property, they are relatively modest. As we found for Los Angeles County, the decline in the base year percentages was less for modified properties, since modifying a property is an alternative to selling it. For a relatively small class of properties (non-owner-occupied, modified), the 1975 base year percentage increased slightly. This occurred because some older properties that were previously owner-occupied were converted to rental use. In this circumstance, a property maintains its base year but loses its $7,000 exemption. The appendix contains detailed information for all classes of single family property.

We also calculated the revenue ratios for all classes of single family properties combined. The revenue ratio rose from 0.53 in 1991 to 0.61 in 1996. Thus, in 1996, single family residential property tax revenues would have increased by 64 percent if these classes of property were assessed at full market value. This is a larger percentage increase than in Los Angeles County and reflects the relative severity of the housing price decline in the two regions.

Assessing the Findings

The fall in property values in Los Angeles County sharply reduced some of the disparities in assessment caused by Proposition 13. Our research demonstrated that disparities have been reduced for all classes of property and along a geographical dimension as well. For San Mateo County, there was also some reduction in the disparities but the declines were not as large.

Table 2.7

Key Residential Property Tax Statistics for San Mateo County: 1991 and 1996

Class of Property	Modified?	1991 Disparity Ratio, 1975	1991 Percent 1975 Base Year	1996 Disparity Ratio, 1975	1996 Percent 1975 Base Year
Single family with homeowner exemption	No	4.58	40	4.32	32
Single family with homeowner exemption	Yes	4.13	41	3.94	36
Single family without homeowner exemption	No	4.44	22	4.25	19
Single family without homeowner exemption	Yes	3.92	23	3.91	24
	Residential revenue ratio for 1991: 0.53				
	Residential revenue ratio for 1996: 0.61				

Prior research has shown that the disparities were largest in the older, urban areas of Northern and Southern California.[5] In the newer, fast-growing counties such as San Bernardino, Riverside, Fresno, and Sacramento, a much smaller percentage of properties naturally had older base years. Even estimates of the disparities for the 1975 base year properties were lower than for Los Angeles and San Mateo Counties. Thus, this current research suggests that except for some parts of urban Northern California, price depreciation has reduced some of the inequities of the assessment provisions of Proposition 13.

Moreover, for both the counties we examined, normal turnover and new construction have also reduced the percentage of properties with assessments far out of line with market values. If housing prices remain flat (or increase by less than 2 percent a year), inequities will continue to be reduced through turnover and new construction, although they will not be fully eliminated. Assuming that similar rates of turnover and new construction continue in the future, we project that by the year 2016, approximately 15 percent of owner-occupied, nonmodified properties in Los Angeles and San Mateo Counties will have 1975 base years. In fast-growing counties around the state, the percentage is currently much less than in Los Angeles and San Mateo Counties and will also continue to decline.

Can we therefore expect that the natural forces of turnover and new construction will soon lead to a reasonably equitable property tax system in California? Before reaching this conclusion, there are some very important caveats. First, the crucial role of the rate of property price appreciation cannot be overemphasized. The evolution of disparity ratios

[5]See O'Sullivan, Sexton, and Sheffrin (1995).

depends on the difference between the inflation rate for property and the 2 percent assessment cap under Proposition 13. As long as the inflation rate for property remains below 2 percent, the system moves inevitably toward more equal assessments. On the other hand, a new period of rapid inflation could easily cause new inequities to emerge.

Second, the median disparity ratios do disguise important variations of properties within any given class, as Figure 2.2 reminds us. Under the current assessment system, some properties will always have assessed values far out of line with market values. Reporters will always be able to find "outrageous" examples of inequities, particularly in exclusive neighborhoods in California.

Third, turnover rates will eventually fall. At some point, the 1975 base year properties that remain will, in most likelihood, contain a disproportionate number whose assessed values are most out of line with market values. Those homeowners face a large "penalty" if they sell because they then lose the favorable tax treatment of their property. They thus become more reluctant to sell and become more highly represented within the 1975 base year group.[6] Moreover, they also may begin to modify their properties rather than selling them. As we have seen, modified properties did not show such sharp decreases in 1975 base year percentages over the last five years and this is likely to continue in the future.

Fourth, it is important to recognize that a disproportionate share of owner-occupied properties with 1975 base years are held by the elderly. Using a match of tax returns and property records, it was possible to

[6]Technically, this is known as a declining "hazard rate" for sales. Our prior work found some evidence in support of declining hazard rates.

determine whether the owner of a home was 65 years of age or over.[7] In 1991, 44 percent of 1975 base year properties in Los Angeles County belonged to the elderly; in San Mateo County, the corresponding figure was 49 percent. How the elderly dispose of their property will be a crucial factor in determining the persistence of 1975 base year property.

Thus, two provisions added to the property tax law in California after Proposition 13 will be particularly important in determining the ultimate disposition of 1975 base year property. The first provision allows seniors to move into lower-valued homes and retain their assessed values. The law restricts these moves to be within the same county, but a number of counties have enacted reciprocity provisions. The other provision allows property to be transferred from parents to children also without triggering reassessments. This latter provision will ultimately become more important over time, particularly in affluent areas of the state where the gaps between market and assessed value are the greatest. We have little knowledge of the extent to which this provision has been used to date, but it ultimately could have a major effect on the number of 1975 base year properties that persist into the future.

As a final note, there has never been underlying popular support for a major revision of Proposition 13 by the voters of California. The fall in real estate prices has reduced the potential revenue gains in switching from the current system to one based on market values. This reduces the public sector's incentives to lobby for other wholesale changes in Proposition 13 as well. Indeed, most of the lobbying by the public sector in the last several years has been to undo the shift in the allocation of

[7]See O'Sullivan, Sexton, and Sheffrin (1995).

property taxes (from local governments to schools) that occurred in the early 1990s and not for fundamental changes in the assessment system.

3. How Did the Recession Affect Property Tax Administration?[1]

Although the general decline in property values that accompanied the recession in California helped to eliminate some of the inequities in assessments, it has put a tremendous strain on California's already understaffed and underfunded county assessors. Statewide, staffing and funding of county assessor offices are down about 30 to 40 percent over the pre-Proposition 13 levels of 1978, whereas staff workloads have doubled or tripled in the same period. Much of the increased workload can be attributed to the real estate recession.

Under the provisions of Proposition 13, a property's assessed value must be the lower of its factored base year value (base year value plus inflation of not more than 2 percent) or its current market value. Before

[1] Data for this portion of the study were drawn from interviews with the assessors or assistant assessors from Alameda, Los Angeles, Riverside, Sacramento, Santa Clara, and Stanislaus Counties, and from California State Board of Equalization, *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, 1993–94, 1994–95, and 1995–96.

the recession that began in 1991, the assessor's job was relatively easy. Determination of assessed value for the majority of properties involved simply adjusting the previous year's assessed value upward by 2 percent or by the rate of inflation, whichever was smaller. Only properties that had changed ownership or included new construction needed to be appraised by the assessor's office.

Since 1991, the market value of many properties has fallen below their factored base year values. This is most likely to occur in areas that have seen the greatest decline in property values and for properties that were purchased near or at the peak of real estate prices in 1989–1991. Under Proposition 8, a constitutional amendment passed by California voters in November 1978, a property whose market value falls below its factored base year value on January 1 (the lien date) must be assessed or enrolled at its market value for that date. This legislation provides temporary property value reductions when property suffers from a "decline in value." Such properties are commonly referred to as Prop 8 properties. In subsequent years, these properties must be reviewed and reassessed at market value unless, or until, their market values again exceed their factored base year values. If the assessor discovers that the market value of a property once again exceeds its factored base year value, the factored base year value is reinstated.

Appeals

Beginning in 1991–92, assessors began to see an increase in the number of appeals filed by property owners who believed that the market values of their properties had fallen below their assessed values and that the assessors had not made appropriate Proposition 8 reductions. Statewide, the number of appeals filed was relatively constant between

1987–88 and 1990–91, averaging roughly 30,000 per year. Thereafter, the number of appeals increased noticeably, exceeding 90,000 in 1992–93. In 1993–94, the number of appeals filed rose to nearly 190,000, a 110 percent increase over 1992–93. The number of appeals filed continued to increase, with a 20 percent increase in 1994–95 and a 7.7 percent increase in 1995–96. Table 3.1 contains data on appeals for selected counties and for the state over this period.

A comparison of the number of appeals filed for each property type to the number of such properties on the assessment roll reveals that commercial properties had the most appeals filed. For 1995–96, one appeal was filed for every nine units of commercial property, whereas only one in 20 industrial property assessments and one in 55 residential property assessments were appealed.[2]

Table 3.1

Property Tax Appeals, 1993–94 Through 1995–96

Selected Counties	1993–94	Percent of Total	1994–95	Percent of Total	1995–96	Percent of Total
Alameda	15,343	4.0	12,878	3.4	11,280	3.2
Los Angeles	59,399	2.7	68,193	3.0	93,305	4.1
Orange	35,666	5.1	41,610	5.7	32,547	4.4
Riverside	16,098	2.9	21,981	3.6	26,289	4.2
Sacramento	4,633	1.3	7,464	2.0	7,707	2.1
San Mateo	4,175	2.0	2,328	1.1	3,007	1.4
Santa Clara	4,991	1.1	3,455	0.8	6,490	1.5
Statewide	189,596	2.0	228,291	2.2	246,638	2.4

SOURCE: California State Board of Equalization (1993–94, 1994–95, and 1995–96).

[2]California State Board of Equalization (1993–94, 1994–95, and 1995–96).

Although all counties experienced increases in appeals, there was considerable variation in the magnitude and timing of appeals. Large counties have been inundated with more appeals both absolutely and relatively. Appeals activity reached a peak in Orange County in 1994–95, when 41,610 appeals were filed representing 5.7 percent of the parcels on their secured roll. Over 20 percent of all commercial and industrial and 4 percent of residential assessments were appealed. Both Los Angeles and Riverside Counties received appeals on roughly 4 percent of assessments in 1995–96. In the northern part of the state, Alameda County had an appeals rate of 4 percent in 1993–94, which declined to 3.2 percent in 1995–96 with industrial properties having the highest rate, nearly 12 percent.

Sacramento County averaged approximately 700 appeals per year between 1978 and 1991. This figure rose to 7,464 in 1994–95 and to 7,707 in 1995–96. These appeals represented over 2 percent of all properties in the county and over 7 percent of all commercial and industrial property assessments were appealed.

In Santa Clara County, appeals began to increase as early as 1991, reaching a peak of eight times their previous annual average of 900 by 1995. Although the number of appeals was smaller in Santa Clara County than in similarly sized counties, the dollar value of the appeals was greater. About half the appeals filed in Santa Clara County were eventually withdrawn by the property owners, resulting in no adjustments, whereas half either resulted in a stipulated adjustment, with a reduction averaging 10 percent (46 percent), or were heard by the appeals board, resulting in an average 20 percent reduction (4 percent).

Stanislaus County has seen the number of appeals double from about 600 in 1991–92 to about 1,200 in 1996–97. Like many other counties,

Stanislaus County attributed a large percentage (about 40 percent) of the appeals filed to the efforts of private property adjusters, who were filing the appeals on behalf of property owners in exchange for a fee. These "appeals mills" or "bucket shops" spread throughout California, sending (in some cases, misleading) fliers and advertisements to property owners, alerting them to the fact that they may qualify for a reduction in assessment and offering to file an appeal on their behalf for a fee, usually between $50 and $100.

In Riverside County, the number of appeals filed increased from 1,600 in 1990 to 4,000 in 1991 and continued to increase yearly to a peak of over 26,000 in 1995–96, representing 4.2 percent of all properties. During the peak year, the county managed to resolve only 5,842 appeals or 22 percent of the number filed. In contrast, Alameda County appeals peaked much earlier, in 1993–94, at nearly 16,000 or 4 percent of all properties, but it succeeded in resolving 11,333 appeals, 74 percent of those filed.

Los Angeles County is the largest in the state, accounting for 22 percent of all properties. It also generates nearly 30 percent of all property tax revenue statewide, so it should come as no surprise that 38 percent of all assessment appeals statewide in 1995–96 were filed in Los Angeles County. Before 1991, appeals normally ranged from 7,500 to 9,000 per year. In 1992–93, appeals increased to 48,689, most of which involved commercial and industrial properties. The over 93,000 appeals filed in 1995–96 represented 4.1 percent of all properties. Much of the increase was fueled by the efforts of private property adjusters. Only 31,000 of the 60,000 appeals filed in 1993–94 were resolved in 1993–94, but the county managed to successfully resolve 87,000 appeals in 1995–96 (93 percent of the number filed).

The rapid growth in appeals came at a time when assessors' budgets were in decline. There were no funds for hiring more staff and hence backlogs of work developed. In 1993–94 and 1994–95, when appeals in most counties were at their peak, the number of appeals resolved statewide was half the number of appeals filed. Some counties were able to do better than others. Table 3.2 contains data on the resolution of appeals for selected counties and statewide. Alameda and Los Angeles Counties consistently exceeded the statewide rate, but Riverside County was able to resolve less than 13 percent of the number of appeals filed in 1994–95 and, consequently, still has a 12- to 18-month backlog of cases.

Table 3.2

Resolution of Appeals, 1995–96

Selected Counties	Total Appeals	Appeals Resolved[a]	Percent
Alameda	11,280	6,611	58.6
Los Angeles	93,305	87,062	93.3
Orange	32,547	12,978	39.9
Riverside	26,289	5,842	22.2
Sacramento	7,707	1,155	15.0
San Mateo	3,007	2,688	89.4
Santa Clara	6,490	3,230	49.8
Statewide	246,638	147,505	59.8

SOURCE: California State Board of Equalization (1995–96), Table L, p. 18.

[a]Indicates appeal activity that occurred during the 1995–96 fiscal year on the appeals that were filed for that year but does not include the appeals that were carried over from previous years and resolved in 1995–96.

Proposition 8 Assessment Reductions

If an appeal is not resolved within two years, the assessor is obligated to enroll the property at the value claimed by the owner on the appeal.

With declining real estate values, assessors faced continued increases in appeals. They could not let appeals build up too rapidly or they would quickly find themselves dealing with a level of appeals that they could not process. This could easily lead to a situation where excessive claims for reductions in assessed value were accepted, simply because the assessor could not handle the total volume of appeals. The alternative strategy for the assessors was to take direct action themselves to reduce assessed values, without waiting for appeals.

Thus, throughout the state, assessors began to make mass, downward adjustments in assessed values to prevent further growth in their backlog of appeals and to avoid the inequities that would arise from lowering values for only those properties that were appealed. Many counties began to process Proposition 8 reductions in value using automatic computer programs based on some form of regression analysis rather than trying to send staff out to the field to review properties. By 1995–96, one-third of the counties were using automatic programs, which accounted for nearly three-fourths of all Proposition 8 assessments.

Some counties developed programs that were based on countywide data and applied countywide; others tailored their programs to be location- or neighborhood-specific, often relying on paired property sales comparisons. Los Angeles County uses a neighborhood model based on clusters of properties of similar type, use, and economic characteristics.

When properties are classified as Prop 8, they must be assessed at their true market value. Coupled with recent sales and new constructions that are also assessed at market value, Prop 8 assessments have increased to the point that in some counties more than one-third of the parcels are now assessed at market value instead of by factored base

year value. This of course means that the assessor must reassess each of these properties every year until they are back at factored base year value.

Statewide, the number of Prop 8 properties grew from 826,147 in 1993–94 to 1,526,935 in 1995–96, an 85 percent increase. Over this same period, Prop 8 properties increased from 9 percent to 15 percent of all secured properties. By 1995–96, Prop 8 properties constituted over 20 percent of all properties in Marin, Modoc, Orange, Riverside, Sacramento, San Bernardino, San Joaquin, Santa Clara, Solano, and Stanislaus Counties. Over 20 percent of all residential property assessments had experienced downward adjustment in these same counties. Table 3.3 contains data on Proposition 8 properties for selected counties and statewide for 1995–96.

In 1995–96, Santa Clara County had over 98,000 Prop 8 properties on its roll (23 percent of all properties), 94,000 of which were residential properties. This number has since decreased as housing and other property values in Santa Clara County were among the first in the state

Table 3.3

Proposition 8 Properties, 1995–96

Selected Counties	Number of Prop 8s	Percent of Total
Alameda	40,981	11.6
Los Angeles	78,089	3.5
Orange	300,296	40.5
Riverside	175,016	28.0
Sacramento	109,077	29.1
San Mateo	30,228	14.2
Santa Clara	98,194	23.0
Statewide	1,526,935	14.7

SOURCE: California State Board of Equalization (1995–96), Table H, p. 13.

to begin to rebound, allowing the assessor to restore some properties to factored base year values. In contrast, Stanislaus County was still adjusting property values downward in 1997. Stanislaus had 26,522 Prop 8 properties in 1996 and 31,289 in 1997, accounting for over 25 percent of all properties in the county. Residential reductions were done by a countywide but neighborhood-specific computer model. However, 50 percent of the appeals filed are contesting the Prop 8 reductions made by this method. The county has yet to begin the process of restoring values.

For 1996–97, Riverside County ranked second in number of Prop 8 properties with 210,000 (approximately one-third of its assessment roll), of which 175,000 were residential properties. Only Orange County had more, with over 300,000 Prop 8 properties, over 40 percent of all properties in the county. Orange County made 80 percent of its Prop 8 adjustments using an automatic program, whereas Riverside County used regression methods to make 60 percent of its Prop 8 reductions.

For 1996–97, Alameda County had about 130,000 Prop 8 properties out of a total of 385,000 on its secured roll. Some of these cases involved reductions in assessments of 25 to 30 percent. Alameda assessors began dealing with individual appeals and then made neighborhood adjustments based on the appeals cases. After several years, they developed a computerized regression model that can be used to restore values as well as reduce them.

Los Angeles County began reducing assessments using its neighborhood-based computer model in 1992–93, when it had a total of 20,000 Prop 8 properties involving an average reduction of $135,000. These were primarily commercial and industrial properties. The number of properties assessed at market value, below their factored base year

values, peaked in 1996–97 at 99,000. The average reduction in value was $51,000 for these properties.

The State's Role in Property Taxation

The property tax generates $20 billion of revenue each year statewide, of which counties receive an average of 18 percent, cities 11 percent, special districts 18 percent, and schools 53 percent. Counties bear over 70 percent of the burden of property tax administration costs but receive less than 20 percent of the resulting revenues. This low return provides little incentive to reduce backlogs of new assessments, changes in ownership, assessment appeals, and other tasks.

In 1992 and 1993, at the peak of the recession, the Governor reduced the state's financial obligations to schools by shifting $3.4 billion in property tax revenues from local agencies to schools through the Educational Revenue Augmentation Fund (ERAF). This led to significant reductions in counties' share of property tax revenues. For example, Alameda County saw its share decline from 40 percent to 16 percent and Los Angeles County's share declined from 47 percent to less than 24 percent. Among the counties with the lowest share are Orange County, which keeps only about a nickel of every property tax dollar collected in the county, and Butte and Yolo Counties, which keep about eight cents of every property tax dollar. Table 3.4 contains the property tax revenues and county shares for 1995–96.

The state benefits indirectly from local property tax revenues because state General Fund contributions for schools are inversely related to schools' property tax revenues. If property tax revenues decline, the state must make up the loss out of general funds. Because its stake in local property tax collections is so high, the state has a strong incentive to

Table 3.4

California Property Tax Revenue and Counties' Shares, 1995–96

County	Revenue ($ thousands)	County Share (%)	County	Revenue ($ thousands)	County Share (%)
Alameda	814,535	16.1	Placer	169,849	19.3
Alpine	2,096	65.3	Plumas	19,359	22.8
Amador	21,810	33.2	Riverside	747,307	11.0
Butte	89,928	8.4	Sacramento	539,739	18.5
Calaveras	27,096	17.6	San Benito	25,310	12.2
Colusa	14,602	25.9	San Bernardino	735,305	13.1
Contra Costa	671,464	12.5	San Diego	1,485,326	14.7
Del Norte	9,338	17.6	San Francisco	567,993	62.1
El Dorado	101,577	22.9	San Joaquin	237,859	20.8
Fresno	306,057	14.5	San Luis Obispo	183,133	23.8
Glenn	13,957	21.6	San Mateo	581,827	13.6
Humboldt	55,996	16.4	Santa Barbara	253,197	20.1
Imperial	57,763	14.9	Santa Clara	1,176,668	12.9
Inyo	24,153	29.7	Santa Cruz	151,840	14.1
Kern	351,112	18.3	Shasta	82,179	15.3
Kings	40,435	16.8	Sierra	3,516	55.6
Lake	32,936	24.0	Siskiyou	22,856	22.6
Lassen	12,661	19.9	Solano	185,297	17.1
Los Angeles	5,047,078	23.6	Sonoma	282,234	23.2
Madera	53,279	16.0	Stanislaus	178,980	11.9
Marin	231,722	17.2	Sutter	38,284	17.6
Mariposa	11,029	26.1	Tehama	24,416	20.1
Mendocino	46,540	28.1	Trinity	6,528	30.4
Merced	79,111	16.0	Tulare	131,367	17.5
Modoc	5,817	26.1	Tuolumne	33,188	26.4
Mono	18,847	31.4	Ventura	456,004	16.8
Monterey	209,480	15.8	Yolo	81,324	8.2
Napa	93,747	17.5	Yuba	22,235	22.4
Nevada	64,851	15.7			
Orange	1,769,341	5.6	Totals	18,701,478	18.2

SOURCE: California State Board of Equalization.

ensure vigorous and efficient property tax administration. To help counties enhance their property tax administration systems and to protect the schools' share of property tax revenues, the Legislature has taken the following steps:

1. Imposed requirements that nonschool agencies (cities and special districts) pay a share of the property tax administrative costs (SB 2557, Maddy, 1990; SB 282, Greene, 1992; AB 1055, Caldera, 1996).
2. Provided $25 million in state grants to counties for property tax administration (SB 2120, Budget and Fiscal Review, 1994).
3. Created the State-County Property Tax Administration Program, which provides up to $60 million per year in state loans to counties for three years to improve counties' property tax administration (AB 818, Vasconcellos, 1995).
4. Extended the State-County Property Tax Administration Program for an additional three years, until fiscal year 2000–01 (AB 719, Torlakson, 1997).
5. Imposed requirements aimed at curbing the operations of businesses that offer to file property tax appeals for property owners in exchange for a fee (AB 1178, Davis, 1997; AB 1319, Alquist, 1997).

State-County Property Tax Administration Program

The property tax shift of 1993 cut counties' share of property tax revenues in half and caused serious staffing and incentive problems for county assessors. Since other county revenues such as sales taxes were also in decline because of the recession, significant cuts had to be made in county budgets. It was much easier for boards of supervisors to cut the budgets of assessors' offices than to cut county programs that provide

direct services to residents, particularly when the amount of property tax revenues at stake was so low.

Assessors from Alameda, Santa Clara, and Los Angeles Counties collaborated with the Assembly Committee on Revenue and Taxation to address concerns regarding property tax administration. They sought to design a program whereby the state could provide counties with funds that would actually find their way to assessors' offices, to help compensate for increased workload, reduced staffing, and reduced incentives for accurate assessments, and not be allocated to other county programs. Several earlier attempts failed to gain approval until the present version was picked up by then Assemblyman John Vasconcellos and tacked on as a trailer bill during the closing hours of the 1995 legislative session.

AB 818 established the State-County Property Tax Administration Program, which provides eligible counties with loans from the state to provide supplemental funding for the administration of the county property tax collection program. Loans were made available to counties in each of the 1995–96, 1996–97, and 1997–98 fiscal years for amounts up to those listed in the bill, totaling $60 million statewide each year.

Eligible counties were defined in the law to be counties in which additional property tax revenues allocated to school entities would reduce the state's general fund apportionments for schools. (San Benito and Solano Counties, although not technically eligible under this criterion, were allowed to participate in the program.) To qualify for a loan, the county must meet a maintenance of effort requirement to ensure that the funds are supplementing and not supplanting existing administration budgets. Specifically, participating counties are required to maintain a base staffing and funding level in the county assessor's office,

independent of the loan proceeds, equal to either the 1993–94 or the 1994–95 funding level, whichever is smaller.

The first column of Table 3.5 lists the maximum available annual loan amount for selected counties that is stipulated in the bill. Each county's maximum share of the available $60 million is determined by the amount of ERAF funds they contribute as a percentage of total county ERAF funds.

An eligible county that elects to participate in the program must enter into a performance-based contractual agreement with the Department of Finance. The contract must specify the loan amount (as determined by the Director of Finance), indicate repayment provisions, provide a listing of proposed uses of the additional resources, and state an agreement to provide a report to the Department of Finance (by March

Table 3.5

Loans for Property Tax Administration, 1995–96

Selected Counties	Maximum Loan Amount	Loan Received
Alameda	$2,152,429	$1,743,043
Butte	381,956	19,238
Contra Costa	2,022,088	2,022,000
Los Angeles	13,451,670	13,451,670
Marin	790,490	No contract
Orange	6,826,325	No contract
Riverside	2,358,068	1,280,000
Sacramento	1,554,245	1,554,245
San Bernardino	2,139,938	2,139,938
San Diego	5,413,943	5,413,943
San Mateo	2,220,001	115,916
Santa Clara	4,213,639	905,241
Stanislaus	866,155	866,155
Statewide	60,000,000	37,994,424

SOURCE: Text of AB 818.

31 of the fiscal year in which the loan is made) projecting the effect of the increased funding in the current and subsequent years.

According to the Department of Finance, the performance requirements are primarily directed toward eliminating workload backlogs. Counties are not required, under the contracts, to produce additional revenues. The purpose of the performance requirement and the maintenance of effort requirement is to ensure that the loaned funds do not simply replace funds currently allocated to property tax administration and hence are used to fund other programs. Such reallocations of funds by the county would lead to failure or inability of the assessor to meet the performance and maintenance effort requirements and would require repayment of the loan.

The loan must be "repaid" by June 30 of the fiscal year following the year in which the loan is made unless a 12-month extension is granted by the Director of Finance. Several performance factors are considered in determining the extent to which a county has satisfied the terms of the contract and repaid the loan, including the reduction in backlogs of assessment appeals and Proposition 8 value reductions, the reduction in backlogs of new construction and changes in ownership, county compliance with mandatory audits, and county performance as indicated by the State Board of Equalization's sample survey. The loans may also be forgiven if the assessor can demonstrate that the activities financed with the loan produce sufficient new revenues for schools (and therefore the state) to offset the amount of the loan. If the county does not "repay" the loan, its motor vehicle license fee apportionment is reduced and transferred to the state's General Fund.

Although the State-County Property Tax Administration Program was set up as a performance-based loan program, the expectation was that

the $60 million of additional resources provided to county assessors would result in increased property tax revenues for schools in excess of $60 million. But how can revenues increase if the loans are used primarily to reduce backlogs in appeals and Prop 8 reductions, which in turn reduce assessments? It is important to recall that resources devoted to Prop 8 reductions help to reduce the number of appeals filed. If property owners received automatic reductions in assessments, there is no need to file an appeal. The unprecedented number of assessment appeals, caused by the economic recession, created huge backlogs and delays, frequently beyond two years. As we have noted, if an appeal is not decided in two years, the taxpayer's opinion of the value of his or her property (which may be artificially low) is automatically enrolled. Thus, additional resources to reduce the backlog of appeals could prevent assessments from declining as much as they otherwise would.

In 1995–96, the Department of Finance approved $49 million in loans to 44 counties. Table 3.5 provides a selected listing of the counties that signed loan contracts and the funds those counties received for 1995–96, the first year of the program. The use of the funds varied across counties, with 34 counties indicating that they hired new permanent or part-time staff. Los Angeles County hired 289 additional staff, the majority of whom were property appraisers. Most counties used a portion of the funds to purchase automation equipment, mainly computers, and 20 counties used funds to hire outside contractors. The Legislative Analyst's Office estimates that these loans generated nearly $100 million for schools and local agencies and prevented an additional $100 million in losses to these agencies.

During its first year, 14 counties did not participate in the program: Alpine, El Dorado, Imperial, Inyo, Lake, Marin, Mariposa, Merced,

Modoc, Monterey, Orange, Siskiyou, Trinity, and Tuolumne. Several counties did not participate either because they could not meet the program's 1993–94 or 1994–95 base year funding maintenance of effort requirement, they did not have a backlog of work, they did not think they could generate enough new revenue to repay the loan, they could not get approval of the Board of Supervisors, or they did not feel that the amount of the loan was worth the effort necessary to negotiate an agreement. Some counties obtained the maximum allowable under the law, but others did not.

Each county individually sets objectives with the State Department of Finance. The state is most interested in preserving and producing revenues and so has supported objectives including more rapid adjustment of transfers, new construction, and activities that increase county assessments. But reducing the backlog of appeals has also been supported, since value is lost if appeals go unresolved for two years. Most counties have been conservative in setting their performance criteria and no county has yet been unable to meet the criteria set out in its contract.

Because of its very positive reception, the State-County Property Tax Administration Program was extended when Governor Wilson signed AB 719 on September 21, 1997. Now the Department of Finance can approve up to $60 million per year in loans to counties through fiscal 2000–2001.

AB 719 also allows more counties to participate by modifying the base year maintenance of effort requirement. Beginning with the 1996–97 fiscal year, if a county was unable to participate in this program previously because it did not meet the 1993–94 or 1994–95 base year funding and staffing requirements in the assessor's office, it may now be eligible if it can maintain the funding and staffing levels of 1995–96.

This modification is expected to allow at least three additional counties (including Orange County) to participate.

The new legislation recognizes the important roles that county auditors and tax collectors play in administering the property tax system. County assessors are now required to consult with the county tax collector and any other county agency directly involved in property tax administration to discuss needs, since AB 719 authorizes the use of loan proceeds to support these functions.

Recovery

The recession has ended and property values are once again on the rise in many locations. This is both good news and bad news for county assessors. The good news is that property tax revenues should begin to increase at a faster rate. The bad news is that the administrative workload will remain high as assessors begin to restore assessments to their factored base year values. Many counties have already begun restoring their Prop 8 assessments and are hoping that this process does not bring about another round of appeals by property owners as they see their tax bills go up. The number of appeals, so far, is also declining but will probably never return to pre-recession levels because taxpayers are now better informed concerning the process of appeal and are more aware of changing property values.

Santa Clara County was the first to experience the turnaround in property values in early 1996. Santa Clara is using a district-based regression model to restore values. Prop 8 assessments have declined from their peak of over 98,000 in 1995 to about 67,000 now. In 1996, 12,000 parcels were fully restored to their factored base year values, and another 32,000 were partially restored. Another 12,000 parcels were

fully restored in 1997 along with 46,000 partial restorations. The number of appeals is also down 40 percent, to about 3,500, most of which are not residential properties. Assessed valuations in Santa Clara County increased $5.3 billion in 1996, 25 percent of the statewide increase of $23.3 billion. Another $10.2 billion of assessments were added in 1997. Much of the growth in Santa Clara County has been fueled by tremendous job growth and new construction.

Good media coverage in the *San Jose Mercury*, along with advance notice to property owners in the form of letters and post cards, has allowed restoration of Prop 8 assessments to proceed in Santa Clara County without causing an increase in appeals. All property owners receive post cards detailing their assessed valuation and owners whose values are being restored receive letters of explanation. In addition, a phone bank has been set up to handle taxpayer questions.

Alameda County plans to deal similarly with restorations, using newspaper articles to inform the public of general changes in property values in the county and sending advance valuation notices to all property owners experiencing more than a 2 percent increase in assessment. For properties that lost 25 to 30 percent of their value, upward adjustments will be made gradually as the market dictates. Although Alameda County did not begin to notice a turnaround in property values until early 1997, it is expecting a significant upturn in 1998–99 assessed values. Some property values in the county have been rising but others are still declining in value. Consequently, while some Prop 8 assessments are being restored, new reductions are also being made. Appeals, which peaked at over 15,000 in 1993–94, are now down to 6,500.

As we move away from the San Francisco Bay area, it appears that the recovery, although slower, has finally begun. Fueled by the replacement of nearly 90 percent of the jobs lost in the recession, the housing markets in Los Angeles and Orange Counties are rebounding, with coastal communities experiencing the biggest gains in value—as much as 25 percent in the last year.[3] Values are also once again on the rise in the Sacramento region, where home prices are expected to increase even more than the 10 percent they did in the past year. In Sacramento County, owners of 64,000 residential properties will experience an average increase in assessments of 6.5 percent for 1998–99 with higher valued properties gaining as much as 12 percent.[4] Smaller counties, such as Stanislaus, have not yet begun to restore any of their Prop 8 assessments, but they, like the bigger counties, expect to see significant increases in assessments this year.

The extension of the State-County Property Tax Administration Program through fiscal 2000–01 will help counties cope with the workload associated with the recovery. Most counties will use AB 719 funds to augment staff and technology to aid in the process of restoring Prop 8 assessments. The state should see an even greater payback as assessments, and hence revenues, increase.

---

[3]Laura Mecoy, "South State is feeling the heat—of soaring home prices," *Sacramento Bee*, July 20, 1998.

[4]Loretta Kalb, "Home values rebound and so do property taxes," *Sacramento Bee*, May 27, 1998.

4. Proposition 13 in the Long Run

In many respects, the picture of Proposition 13 at its twentieth anniversary looks very different than it did at its tenth anniversary. At its tenth anniversary, researchers were first beginning to measure and react adversely to the large disparities in the property tax burden created by the combination of acquisition-value-based taxation and rapid price appreciation for real estate.[1] Tax administrators also had their laments. As the former Assistant Executive Secretary of the California State Board of Equalization wrote, "I am convinced that Proposition 13 has had a devastating effect on property tax administration in California. It has swept county appraisers out of the mainstream of appraisal and assessment practice into a (nonprofessional) back water that affords little

[1]For a discussion of some of these studies at the tenth anniversary, see George F. Break, "Proposition 13's Tenth Birthday: Opportunity for Celebration or Lament?" in Frederick D. Stocker (ed.), *Proposition 13: A Ten-Year Retrospective*, Cambridge, Mass.: The Lincoln Institute of Land Policy, 1991. For more recent work, see O'Sullivan, Sheffrin, and Sexton (1995).

opportunity to make professional judgments."[2] At the twentieth anniversary of Proposition 13, the picture is not as dire.

As our research in Chapter 2 documented, except for some parts of urban Northern California, price depreciation has reduced some of the inequities stemming from the acquisition-value-based provisions of Proposition 13. In Los Angeles County, for example, owner-occupied housing with base years after 1980 were undervalued by less than 30 percent, a reasonable amount by national standards.

Throughout the state, the percentage of 1975 base year properties has continued to decrease to slightly over 30 percent in the large, urban counties that had the greatest disparities. (Properties with base years ranging from 1976 to 1980 constitute approximately 10 percent of residential property.) Projections indicate that this percentage will continue to decrease, although some complicating factors make precise predictions of the decline uncertain.

The greatest uncertainty is the behavior of homeowners over the age of sixty-five. Prior work indicated that, in 1991, nearly one-half the 1975 base year properties in Los Angeles and San Mateo Counties were owned by seniors. If the seniors eventually sell their homes to third parties, the 1975 base year percentages should decline rapidly and perhaps reach the 15 percent mark in 2016. However, they also have the option of intrafamily transfer of the property, allowing the 1975 base year to remain in place. We have little data on this aspect of Proposition 13, enacted in 1986.

---

[2]Ronald B. Welch, "Property Tax Administrative Changes Resulting from Proposition 13," in Frederick D. Stocker (ed.), *Proposition 13: A Ten-Year Retrospective*, Cambridge, Mass.: The Lincoln Institute of Land Policy, 1991, p. 131.

It is important to recognize that turnover rates may not be uniform and owners of tax-favored property may sell their property less frequently and thus garner larger tax benefits. In particular, long-time owners of 1975 base year property are the ones most likely to continue to hold onto their property. As we discussed, for homeowner property, the behavior of the elderly will be a key determinant of the persistence of 1975 base years. Many large, modified commercial and industrial properties also have 1975 base years, and these percentages have been slow to change. There have been proposals to alter the "change of ownership" rules for property held by publicly traded firms. These proposals (involving close scrutiny of stock ownership) would have effectively reduced the percentages of properties with 1975 base years but have not been successful. If both owner-occupied and commercial and industrial property retain 1975 base years, it may be possible to propose a reform that deals simultaneously with both sectors. Assuming that inflation does not reemerge in the near future, solving this problem would deal effectively with the equity problems of the assessments under Proposition 13.

Turning to property tax administration, the decline in real estate prices and consequent large number of Prop 8 properties have moved California from the "backwater" of property tax administration to the forefront. Faced with reduced staff levels, the need to make market value assessments for up to one-third of all properties, and complex issues in commercial and industrial properties triggered by appeals and change of ownership, county assessors have modernized their offices, brought in new and advanced computer technology, and hired specialized appraisers. It was fortunate that the administrative crisis facing the assessors occurred in the 1990s, after the computer revolution had dramatically lowered the

costs of acquiring powerful hardware and software necessary for mass appraisals and tracking of property. California assessors now draw on the same advanced technologies and techniques used throughout the country and specialized consulting firms have enabled even the smaller counties to make the transition to the new era.

However, there are still very important structural issues. As we look down the road to the point where property values have fully recovered, assessments have been fully restored, and appeals have declined to more normal levels, property tax administration problems in California will still remain. Because the county share of property tax revenues is so small, counties have little interest or incentive in staffing the assessor's office or spending any of their scarce budgetary dollars on ensuring a sound and equitable property tax system.

The obvious (but politically difficult) solution would be to shift property tax revenues back to counties as their primary source of revenue. Only then will they have an incentive to spend resources to provide timely and accurate assessments. Programs such as the State-County Property Tax Administration Program provide only temporary and therefore partial solutions. The funds provided by such programs have helped to maintain California's property tax system, but they have also introduced an added source of uncertainty in the budgetary process.

Another approach would be to ensure that all recipients of property tax revenue pay their share of administrative costs. This was the essence of SB 2557, which was passed in 1990. All agencies, including cities, schools, and special districts, were required to pay a portion of administrative costs equivalent to the portion of revenues they received. However, in 1991, with the help of the California Teachers Association, schools were exempted. According to the allocation of property tax

revenues in 1995–96, the schools received, either directly or indirectly through ERAF, over 53 percent of all property tax revenues. Under this proposal, the state would, therefore, pay 53 percent of property tax administrative costs on behalf of the schools. This may provide a solution to the funding problems associated with property tax administration. But it would not provide counties with the type of incentives for thorough and accurate assessments that come with having a larger stake in the outcome, namely, property tax revenues.

The opinion of many assessors is that the State Board of Equalization, the state agency assigned to oversee our property tax system, should be more proactive in helping counties administer the property tax. In their view, the board has shown little interest, nor has it offered any solutions or ideas, regarding the main issues affecting assessors: staffing levels, increased appeals, Prop 8s, and related issues. In fact, the board has behaved at times as more of an adversary of assessors. An example is the board's recent lawsuit against Riverside County in which the board argued that California law requires that Riverside County must hold a hearing on an appeal, despite the fact that the taxpayer who filed the appeal has refused to provide the county assessor with the information needed to make an income-based valuation. In addition, the board has on many occasions not taken positions on bills that affect the assessors or the property tax. Assessors would like to see the board provide more training for their staff, participate in technology conferences organized by assessors, and take a leadership role in helping to bring about uniformity and standardization in procedures and technology.

We believe it is necessary to step back and take a broader look at property tax administration in light of the evolution of the property tax

in California. California's property tax revenues are now higher than at any time since the very early part of this century. We need to begin designing a system now to put into place when the State-County Property Tax Administration Program expires to insure efficient administration of the property tax in California.

Appendix

Data for Los Angeles and San Mateo Counties

Table A.1

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Single Family Residential, Homeowner Exemption, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	356634	5,577	5.19	18,659,804,148	96,844,383,528	52,322	271,551
76	19426	389	4.18	1,326,834,652	5,546,168,845	68,302	285,502
77	21607	445	3.55	1,702,199,460	6,042,808,083	78,780	279,669
78	21337	531	2.90	1,976,745,028	5,732,560,581	92,644	268,668
79	22682	681	2.49	2,423,208,788	6,033,789,882	106,834	266,017
80	21944	725	2.04	2,788,094,920	5,687,713,637	127,055	259,192
81	15298	595	1.71	2,338,421,684	3,998,701,080	152,858	261,387
82	12344	535	1.68	1,879,559,160	3,157,659,389	152,265	255,805
83	12290	550	1.70	1,918,948,310	3,262,212,127	156,139	265,436
84	22323	1,045	1.68	3,626,750,841	6,092,941,413	162,467	272,945
85	26140	1,371	1.66	4,263,198,740	7,076,909,908	163,091	270,731
86	34180	1,835	1.62	5,850,112,080	9,477,181,570	171,156	277,273
87	45034	2,383	1.55	8,203,123,236	12,714,841,016	182,154	282,339
88	47509	3,081	1.43	9,544,795,645	13,649,057,772	200,905	287,294
89	56890	4,135	1.27	13,322,045,080	16,918,997,252	234,172	297,398
90	50372	2,884	1.12	13,022,219,812	14,584,886,189	258,521	289,544
91	39217		1.00	10,237,088,029	10,237,088,029	261,037	261,037
Total	825227	26,773		103,083,149,613	227,057,900,301	Av. 124,915	Av. 275,146

Revenue ratio = 0.45

Table A.2

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Single Family Residential, Homeowner Exemption, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	71446	899	4.35	5,286,218,094	22,995,048,709	73,989	321,852
76	7175	80	3.66	702,002,000	2,569,327,320	97,840	358,094
77	8404	131	3.17	917,153,732	2,907,377,330	109,133	345,952
78	8936	180	2.76	1,153,101,440	3,182,559,974	129,040	356,150
79	8662	199	2.41	1,283,006,778	3,092,046,335	148,119	356,967
80	7032	150	2.07	1,231,767,312	2,549,758,336	175,166	362,594
81	4140	93	1.89	878,578,380	1,660,513,138	212,217	401,090
82	3035	76	1.89	657,499,365	1,242,673,800	216,639	409,448
83	2741	92	1.89	642,024,430	1,213,426,173	234,230	442,695
84	4506	119	1.73	1,050,722,598	1,817,750,095	233,183	403,407
85	4699	130	1.71	1,138,309,255	1,946,508,826	242,245	414,239
86	4936	146	1.69	1,213,619,256	2,051,016,543	245,871	415,522
87	5203	127	1.59	1,369,398,382	2,177,343,427	263,194	418,478
88	4400	129	1.45	1,244,751,200	1,804,889,240	282,898	410,202
89	3935	137	1.32	1,313,030,800	1,733,200,656	333,680	440,458
90	2257	47	1.18	833,735,800	983,808,244	369,400	435,892
91	616		1.00	246,043,336	246,043,336	399,421	399,421
Total	152123	2735		21,160,962,158	54,173,291,482	Av. 139,104	Av. 356,115

Revenue ratio = 0.39

Table A.3

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Single Family Residential, Nonexempt, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	135274	10,191	5.54	4,419,401,580	24,483,484,753	32,670	180,992
76	7769	557	4.45	416,364,017	1,852,819,876	53,593	238,489
77	10762	642	3.80	684,570,820	2,601,369,116	63,610	241,718
78	13596	815	3.09	978,572,100	3,023,787,789	71,975	222,403
79	16694	1,009	2.62	1,244,854,886	3,261,519,801	74,569	195,371
80	18351	1,072	2.18	1,711,524,366	3,731,123,118	93,266	203,320
81	13975	877	1.82	1,530,807,525	2,786,069,696	109,539	199,361
82	12119	805	1.79	1,405,634,334	2,516,085,458	115,986	207,615
83	11025	807	1.73	1,288,436,625	2,228,995,361	116,865	202,176
84	16196	1,414	1.74	2,064,293,572	3,591,870,815	127,457	221,775
85	20991	1,764	1.69	2,690,185,569	4,546,413,612	128,159	216,589
86	26847	2,279	1.64	3,601,659,285	5,906,721,227	134,155	220,014
87	36705	3,151	1.55	5,446,361,310	8,441,860,031	148,382	229,992
88	44039	4,083	1.43	7,395,733,504	10,575,898,911	167,936	240,148
89	62416	5,701	1.28	12,523,271,072	16,029,786,972	200,642	256,822
90	70323	6,480	1.13	16,048,622,799	18,134,943,763	228,213	257,881
91	59146		1.00	13,880,442,426	13,880,442,426	234,681	234,681
Total	576228	41,661		77,330,735,790	127,593,192,724	Av. 134,202	Av. 221,428

Revenue ratio = 0.61

Table A.4

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Single Family Residential, Nonexempt, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	11520	1,106	4.46	836,501,760	3,730,797,850	72,613	323,854
76	1272	136	3.68	123,742,704	455,373,151	97,282	357,998
77	1772	137	3.28	198,322,240	650,496,947	111,920	367,098
78	2308	212	2.76	294,339,240	812,376,302	127,530	351,983
79	2397	221	2.42	336,179,250	813,553,785	140,250	339,405
80	2267	176	2.10	392,009,640	823,220,244	172,920	363,132
81	1349	118	1.81	303,093,320	548,598,909	224,680	406,671
82	1112	63	1.85	252,971,104	467,996,542	227,492	420,860
83	1048	75	1.85	268,148,616	496,074,940	255,867	473,354
84	1459	126	1.73	345,457,643	597,641,722	236,777	409,624
85	1857	126	1.70	419,782,278	713,629,873	226,054	384,292
86	2223	148	1.69	510,640,884	862,983,094	229,708	388,207
87	2628	120	1.50	663,667,236	995,500,854	252,537	378,806
88	2663	138	1.47	759,626,076	1,116,650,332	285,252	419,320
89	2804	124	1.25	924,369,444	1,155,461,805	329,661	412,076
90	2028	57	1.19	740,311,260	880,970,399	365,045	434,404
91	629		1.00	238,483,463	238,483,463	379,147	379,147
Total	41336	3,083		7,607,646,158	15,359,810,212	Av. 184,044	Av. 371,584

Revenue ratio = 0.50

Table A.5

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Multi-Family Residential, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	74574	2,363	6.10	6,689,660,670	40,806,930,087	89,705	547,201
76	5651	146	4.72	659,822,062	3,114,360,133	116,762	551,117
77	7456	182	4.10	1,039,470,784	4,261,830,214	139,414	571,597
78	8083	229	3.34	1,302,365,292	4,349,900,075	161,124	538,154
79	7512	275	2.84	1,292,274,336	3,670,059,114	172,028	488,560
80	6931	253	2.47	1,346,277,440	3,325,305,277	194,240	479,773
81	4539	168	1.98	1,021,810,602	2,023,184,992	225,118	445,734
82	3860	161	1.84	923,941,180	1,700,051,771	239,363	440,428
83	3704	153	1.90	1,020,829,808	1,939,576,635	275,602	523,644
84	6235	275	1.77	1,726,153,515	3,055,291,722	276,849	490,023
85	7582	414	1.68	2,356,978,430	3,959,723,762	310,865	522,253
86	9337	518	1.63	3,197,987,859	5,212,720,210	342,507	558,286
87	11978	680	1.46	4,643,726,864	6,779,841,221	387,688	566,024
88	11161	903	1.38	4,403,003,339	6,076,144,608	394,499	544,409
89	14880	1,357	1.24	6,711,906,720	8,322,764,333	451,069	559,326
90	14350	1,393	1.13	6,789,645,100	7,672,298,963	473,146	534,655
91	12557		1.00	5,430,073,738	5,430,073,738	432,434	432,434
Total	210390	9,470		50,555,927,739	111,700,056,856	Av. 240,296	Av. 530,919

Revenue ratio = 0.45

Table A.6

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Multi-Family Residential, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	4967	91	5.51	468,298,694	2,580,325,804	94,282	519,494
76	545	14	3.87	76,339,785	295,434,968	140,073	542,083
77	672	18	3.75	77,638,176	291,143,160	115,533	433,249
78	752	16	3.10	116,205,808	360,238,005	154,529	479,040
79	644	20	2.71	92,645,840	251,070,226	143,860	389,861
80	558	18	2.15	101,724,516	218,707,709	182,302	391,949
81	318	16	1.94	62,098,086	120,470,287	195,277	378,837
82	288	9	2.07	79,501,824	164,568,776	276,048	571,419
83	226	11	1.93	52,561,272	101,443,255	232,572	448,864
84	336	10	2.07	83,217,120	172,259,438	247,670	512,677
85	378	13	1.72	103,795,398	178,528,085	274,591	472,297
86	372	8	2.05	114,243,804	234,199,798	307,107	629,569
87	345	20	1.69	90,851,955	153,539,804	263,339	445,043
88	262	10	1.41	72,023,014	101,552,450	274,897	387,605
89	261	24	1.38	98,867,583	136,437,265	378,803	522,748
90	204	4	1.18	79,729,320	94,080,598	390,830	461,179
91	49		1.00	16,047,843	16,047,843	327,507	327,507
Total	11177	302		1,785,790,038	5,470,047,470	Av. 159,774	Av. 489,402

Revenue ratio = 0.33

Table A.7

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Commercial/Industrial Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	41723	1,248	5.66	7,902,503,092	44,728,167,501	189,404	1,072,027
76	2451	66	4.84	609,365,169	2,949,327,418	248,619	1,203,316
77	2913	77	4.54	655,241,481	2,974,796,324	224,937	1,021,214
78	3783	99	3.86	1,075,945,728	4,153,150,510	284,416	1,097,846
79	4020	128	3.73	1,339,841,880	4,997,610,212	333,294	1,243,187
80	3761	142	3.00	1,399,656,150	4,198,968,450	372,150	1,116,450
81	2920	118	2.11	1,250,472,480	2,638,496,933	428,244	903,595
82	2998	115	1.94	1,585,570,248	3,076,006,281	528,876	1,026,019
83	2964	107	2.05	1,452,964,656	2,978,577,545	490,204	1,004,918
84	3758	138	1.84	2,491,001,574	4,583,442,896	662,853	1,219,650
85	4581	165	1.72	3,406,454,505	5,859,101,749	743,605	1,279,001
86	5480	260	1.59	4,759,988,280	7,568,381,365	868,611	1,381,091
87	7162	329	1.45	7,644,181,650	11,084,063,393	1,067,325	1,547,621
88	6211	396	1.31	7,003,560,866	9,174,664,734	1,127,606	1,477,164
89	7709	450	1.25	8,598,572,346	10,748,215,433	1,115,394	1,394,243
90	7583	546	1.11	8,301,557,497	9,214,728,822	1,094,759	1,215,182
91	6227		1.00	6,183,124,558	6,183,124,558	992,954	992,954
Total	116244	4,384		65,660,002,160	137,110,824,123	Av. 564,846	Av. 1,179,509

Revenue ratio = 0.48

Table A.8

Disparity Ratios and Other Data for Properties in Los Angeles County: 1991, Commercial/Industrial Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	5683	100	4.19	4,136,252,207	17,330,896,747	727,829	3,049,604
76	477	13	4.17	371,297,277	1,548,309,645	778,401	3,245,932
77	558	10	3.64	268,367,868	976,859,040	480,946	1,750,643
78	781	15	4.28	608,569,258	2,604,676,424	779,218	3,335,053
79	748	15	2.58	690,011,300	1,780,229,154	922,475	2,379,986
80	671	31	2.14	475,484,691	1,017,537,239	708,621	1,516,449
81	521	10	1.69	1,020,953,163	1,725,410,845	1,959,603	3,311,729
82	519	14	2.07	566,136,618	1,171,902,799	1,090,822	2,258,002
83	445	11	2.11	750,712,775	1,584,003,955	1,686,995	3,559,559
84	544	17	1.60	826,982,272	1,323,171,635	1,520,188	2,432,301
85	498	19	1.89	1,015,651,080	1,919,580,541	2,039,460	3,854,579
86	398	20	1.48	1,267,862,432	1,876,436,399	3,185,584	4,714,664
87	372	7	1.95	961,848,036	1,875,603,670	2,585,613	5,041,945
88	274	7	1.88	836,921,766	1,573,412,920	3,054,459	5,742,383
89	233	4	1.70	1,031,829,083	1,754,109,441	4,428,451	7,528,367
90	175	5	1.64	429,625,175	704,585,287	2,455,001	4,026,202
91	59		1.00	122,323,874	122,323,874	2,073,286	2,073,286
Total	12956	298		15,380,828,875	40,889,049,617	Av. 1,187,159	Av. 3,155,993

Revenue ratio = 0.38

Table A.9

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Single Family Residential, Homeowner Exemption, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	298113	5460	3.84	17,575,630,408	67,490,420,767	58,956	226,392
76	16372	339	2.98	1,257,626,462	3,747,726,857	76,816	228,911
77	18313	379	2.59	1,625,152,212	4,209,144,229	88,743	229,845
78	18196	429	2.14	1,892,877,464	4,050,757,773	104,027	222,618
79	18906	482	1.78	2,253,469,759	4,011,176,171	119,193	212,164
80	18073	514	1.47	2,566,510,926	3,772,771,061	142,008	208,752
81	12363	353	1.28	2,113,533,574	2,705,322,975	170,956	218,824
82	9944	304	1.27	1,715,216,732	2,178,325,250	172,488	219,059
83	9637	295	1.28	1,691,609,053	2,165,259,588	175,533	224,682
84	17122	534	1.23	3,129,293,238	3,849,030,683	182,764	224,800
85	20286	683	1.22	3,754,813,097	4,580,871,978	185,094	225,814
86	26293	867	1.20	5,011,930,873	6,014,317,048	190,618	228,742
87	35621	1230	1.12	7,153,744,287	8,012,193,601	200,829	224,929
88	38130	1467	1.01	8,316,317,440	8,399,480,614	218,104	220,285
89	47617	1969	0.90	11,179,045,931	10,061,141,338	234,770	211,293
90	44939	1956	0.86	10,207,045,842	8,778,059,424	227,131	195,333
91	39343	1482	0.86	8,815,787,352	7,581,577,123	224,075	192,705
92	45457	1499	0.87	10,572,897,112	9,198,420,487	232,591	202,354
93	43323	1366	0.88	10,280,575,194	9,046,906,171	237,301	208,825
94	39750	1668	0.96	9,464,977,783	9,086,378,672	238,113	228,588
95	43259	6260	0.96	10,296,151,017	9,884,304,976	238,012	228,491
96	35361		1.00	7,963,636,606	7,963,636,606	225,210	225,210
Total	896418	29539		138,837,842,362	196,787,223,391	Av. 154,881	Av. 219,526

Revenue ratio = 0.71

Table A.10

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Single Family Residential, Homeowner Exemption, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	71908	940	3.24	6,056,558,730	19,623,250,285	84,226	272,894
76	7067	101	2.75	785,810,610	2,160,979,178	111,194	305,785
77	8210	132	2.41	1,019,036,165	2,455,877,158	124,121	299,132
78	8798	148	2.05	1,279,053,069	2,622,058,791	145,380	298,029
79	8662	148	1.69	1,432,797,128	2,421,427,146	165,412	279,546
80	7106	135	1.45	1,388,317,156	2,013,059,876	195,373	283,290
81	4255	78	1.35	1,006,655,416	1,358,984,812	236,582	319,385
82	3210	77	1.29	753,635,231	972,189,448	234,777	302,863
83	3077	56	1.32	781,026,999	1,030,955,639	253,827	335,052
84	4929	108	1.29	1,242,893,923	1,603,333,161	252,159	325,286
85	5491	119	1.32	1,417,620,143	1,871,258,589	258,172	340,786
86	6272	144	1.24	1,645,378,454	2,040,269,283	262,337	325,298
87	7056	184	1.16	1,958,411,023	2,271,756,787	277,553	321,961
88	6044	178	1.04	1,775,090,223	1,846,093,832	293,695	305,442
89	4150	137	0.91	1,240,578,259	1,128,926,216	298,935	272,030
90	1556	29	0.88	477,440,471	420,147,614	306,838	270,018
91	1269	31	0.92	396,240,683	364,541,428	312,246	287,267
92	1649	36	0.95	539,209,248	512,248,786	326,992	310,642
93	1886	36	0.88	655,552,888	576,886,541	347,589	305,878
94	1446	20	0.94	486,885,774	457,672,628	336,712	316,509
95	1253	8	1.13	453,252,855	512,175,726	361,734	408,760
96	463		1.00	164,260,186	164,260,186	354,774	354,774
Total	165757	2845		26,955,704,634	48,428,353,109	Av. 162,622	Av. 292,165

Revenue ratio = 0.56

Table A.11

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Single Family Residential, Nonexempt, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	94098	8783	3.98	3,474,618,796	13,828,982,808	36,926	146,964
76	5993	446	3.09	344,772,317	1,065,346,460	57,529	177,765
77	8106	563	2.68	552,493,827	1,480,683,456	68,159	182,665
78	9930	656	2.17	751,515,630	1,630,788,917	75,681	164,228
79	11304	716	1.82	956,866,225	1,741,496,530	84,648	154,060
80	12146	737	1.53	1,262,259,724	1,931,257,378	103,924	159,004
81	9200	542	1.34	1,090,748,114	1,461,602,473	118,560	158,870
82	7873	494	1.32	980,541,937	1,294,315,357	124,545	164,399
83	7134	482	1.30	901,763,774	1,172,292,906	126,404	164,325
84	10106	851	1.25	1,398,048,881	1,747,561,101	138,339	172,923
85	12133	1053	1.21	1,684,106,231	2,037,768,540	138,804	167,953
86	14677	1430	1.18	2,085,567,817	2,460,970,024	142,098	167,675
87	20142	2041	1.12	3,088,568,424	3,459,196,635	153,340	171,740
88	22134	2421	1.02	3,870,541,090	3,947,951,912	174,869	178,366
89	30212	3848	0.90	5,772,675,566	5,195,408,009	191,072	171,965
90	32377	4531	0.85	6,295,081,189	5,350,819,011	194,431	165,266
91	24376	3821	0.85	4,875,185,024	4,143,907,270	199,999	169,999
92	23844	3699	0.85	4,924,126,280	4,185,507,338	206,514	175,537
93	24093	3415	0.84	5,190,660,063	4,360,154,453	215,443	180,972
94	36642	4182	0.93	7,640,949,966	7,106,083,468	208,530	193,933
95	48765	12448	0.96	9,576,029,133	9,192,987,968	196,371	188,516
96	69956		1.00	12,922,968,178	12,922,968,178	184,730	184,730
Total	535241	57167		79,640,088,186	91,718,050,191	Av. 148,793	Av. 171,358

Revenue ratio = 0.87

Table A.12

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Single Family Residential, Nonexempt, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	8728	1249	3.22	654,827,926	2,108,545,922	75,026	241,584
76	986	106	2.74	100,809,482	276,217,981	102,241	280,140
77	1321	164	2.37	146,642,008	347,541,559	111,008	263,090
78	1622	203	1.94	200,739,737	389,435,090	123,761	240,096
79	1795	186	1.70	256,920,399	436,764,678	143,131	243,323
80	1589	186	1.43	273,475,499	391,069,964	172,105	246,111
81	946	122	1.30	216,306,504	281,198,455	228,654	297,250
82	816	78	1.34	181,299,985	242,941,980	222,181	297,723
83	727	92	1.26	170,678,586	215,055,018	234,771	295,812
84	1017	133	1.23	235,395,817	289,536,855	231,461	284,697
85	1244	182	1.25	273,859,440	342,324,300	220,144	275,180
86	1408	193	1.22	320,463,357	390,965,296	227,602	277,674
87	1653	208	1.09	406,920,369	443,543,202	246,171	268,326
88	1620	240	1.02	457,399,857	466,547,854	282,346	287,993
89	1331	172	0.94	375,191,322	352,679,843	281,887	264,974
90	570	84	0.84	196,350,392	164,934,329	344,474	289,358
91	467	42	0.84	159,660,192	134,114,561	341,885	287,183
92	489	53	0.86	164,182,617	141,197,051	335,752	288,747
93	634	48	0.88	217,955,905	191,801,196	343,779	302,526
94	979	21	1.03	324,826,713	334,571,514	331,794	341,748
95	958	10	1.15	352,336,474	405,186,945	367,783	422,951
96	522		1.00	158,197,496	158,197,496	303,060	303,060
Total	31422	3772		5,844,440,077	8,504,371,089	Av. 185,998	Av. 270,650

Revenue ratio = 0.69

Table A.13

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Multi-Family Residential, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	62159	1913	4.28	6,353,278,153	27,192,030,495	102,210	437,459
76	4905	95	2.88	649,971,970	1,871,919,274	132,512	381,635
77	6389	169	2.72	1,014,120,396	2,758,407,477	158,729	431,743
78	6950	169	2.04	1,265,282,994	2,581,177,308	182,055	371,392
79	6378	164	1.90	1,256,908,011	2,388,125,221	197,069	374,432
80	5722	180	1.50	1,262,679,579	1,894,019,369	220,671	331,007
81	3737	122	1.38	959,623,323	1,324,280,186	256,790	354,370
82	3162	84	1.28	869,351,475	1,112,769,888	274,937	351,920
83	3035	103	1.26	960,950,119	1,210,797,150	316,623	398,945
84	5044	172	1.17	1,638,924,379	1,917,541,523	324,926	380,163
85	6000	220	1.04	2,038,237,517	2,119,767,018	339,706	353,295
86	7234	288	1.06	2,930,188,017	3,105,999,298	405,058	429,361
87	9168	511	0.99	3,479,133,103	3,444,341,772	379,487	375,692
88	7885	417	0.90	3,137,723,728	2,823,951,355	397,936	358,142
89	10016	707	0.80	4,148,437,494	3,318,749,995	414,181	331,345
90	8825	706	0.75	3,668,067,752	2,751,050,814	415,645	311,734
91	7374	633	0.75	2,843,547,136	2,132,660,352	385,618	289,214
92	6499	528	0.79	2,578,586,465	2,037,083,307	396,767	313,446
93	6708	559	0.84	2,699,640,793	2,267,698,266	402,451	338,059
94	7402	841	0.88	2,941,976,306	2,588,939,149	397,457	349,762
95	9780	2925	0.93	3,817,851,981	3,550,602,342	390,373	363,047
96	13237		1.00	4,445,570,633	4,445,570,633	335,844	335,844
Total	207609	11506		54,960,051,324	78,837,482,192	Av. 264,729	Av. 379,740

Revenue ratio = 0.70

Table A.14

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Multi-Family Residential, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	4948	114	3.71	510,550,957	1,894,144,050	103,183	382,810
76	522	7	2.17	83,168,341	180,475,300	159,326	345,738
77	666	14	3.06	86,816,227	265,657,655	130,355	398,885
78	708	20	2.52	129,549,648	326,465,113	182,980	461,109
79	647	11	1.56	102,601,081	160,057,686	158,580	247,384
80	574	16	1.54	110,102,714	169,558,180	191,817	295,398
81	322	7	1.54	65,991,110	101,626,309	204,941	315,610
82	254	9	1.54	55,720,992	85,810,328	219,374	337,836
83	228	9	1.52	52,887,019	80,388,269	231,961	352,580
84	362	12	1.35	80,334,648	108,451,775	221,919	299,591
85	366	11	1.32	95,728,760	126,361,963	261,554	345,251
86	426	11	0.84	109,490,781	91,972,256	257,021	215,897
87	398	18	1.13	105,931,972	119,703,128	266,161	300,762
88	335	6	1.05	84,857,873	89,100,767	253,307	265,972
89	305	12	0.90	93,451,854	84,106,669	306,400	275,760
90	245	11	0.69	66,631,470	45,975,714	271,965	187,656
91	174	12	0.74	48,067,505	35,569,954	276,250	204,425
92	152	12	0.90	43,336,342	39,002,708	285,108	256,597
93	104	3	1.04	47,478,344	49,377,478	456,523	474,783
94	81	1	1.47	25,757,805	37,863,973	317,998	467,456
95	100	2	0.58	28,391,554	16,467,101	283,916	164,671
96	53		1.00	16,806,019	16,806,019	317,095	317,095
Total	11970	318		2,043,653,016	4,124,942,395	Av. 170,731	Av. 344,607

Revenue ratio = 0.50

Table A.15

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Commercial/Industrial
Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	34184	826	3.23	7,400,387,682	23,903,252,213	216,487	699,253
76	2012	47	2.54	635,513,928	1,614,205,377	315,862	802,289
77	2471	48	2.77	615,317,766	1,704,430,212	249,016	689,773
78	3225	61	2.17	1,018,414,340	2,209,959,118	315,787	685,259
79	3324	107	2.11	1,308,966,337	2,761,918,971	393,793	830,902
80	3129	83	1.50	1,638,741,897	2,458,112,846	523,727	785,591
81	2467	66	1.52	1,309,938,108	1,991,105,924	530,984	807,096
82	2484	67	1.33	1,817,094,161	2,416,735,234	731,519	972,921
83	2428	80	1.22	1,881,871,556	2,295,883,298	775,071	945,586
84	3107	102	1.05	2,230,560,633	2,342,088,665	717,915	753,810
85	3678	123	1.03	2,817,004,551	2,901,514,688	765,907	788,884
86	4388	145	0.96	4,139,030,544	3,973,469,322	943,261	905,531
87	5648	221	0.86	6,039,188,499	5,193,702,109	1,069,261	919,565
88	4702	193	0.91	5,016,146,110	4,564,692,960	1,066,811	970,798
89	5680	269	0.79	6,473,460,115	5,114,033,491	1,139,694	900,358
90	5609	266	0.76	6,282,355,431	4,774,590,128	1,120,049	851,237
91	4611	280	0.83	4,840,980,329	4,018,013,673	1,049,876	871,397
92	4188	307	0.84	4,029,785,058	3,385,019,449	962,222	808,266
93	4227	271	0.84	4,610,165,413	3,872,538,947	1,090,647	916,144
94	4638	367	0.90	4,920,965,452	4,428,868,907	1,061,010	954,909
95	5777	583	1.00	4,855,398,155	4,855,398,155	840,471	840,471
96	5960		1.00	4,001,833,760	4,001,833,760	671,449	671,449
Total	117937	4512		77,883,119,825	94,781,367,445	Av. 660,379	Av. 803,661

Revenue ratio = 0.82

Table A.16

Disparity Ratios and Other Data for Properties in Los Angeles County: 1996, Commercial/Industrial Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	5035	128	2.34	3,460,660,290	8,097,945,079	687,321	1,608,331
76	435	13	2.26	249,886,302	564,743,043	574,451	1,298,260
77	499	11	1.97	246,904,024	486,400,927	494,798	974,751
78	709	14	1.58	506,098,699	799,635,944	713,820	1,127,836
79	666	10	2.66	630,799,914	1,677,927,771	947,147	2,519,411
80	568	14	1.37	437,365,369	599,190,556	770,009	1,054,913
81	420	13	1.22	552,192,883	673,675,317	1,314,745	1,603,989
82	426	12	1.27	298,748,523	379,410,624	701,288	890,635
83	367	14	1.13	304,578,689	344,173,919	829,915	937,804
84	397	13	1.23	378,200,596	465,186,733	952,646	1,171,755
85	392	21	1.03	392,625,768	404,404,541	1,001,596	1,031,644
86	325	19	0.91	536,571,989	488,280,510	1,650,991	1,502,402
87	318	9	0.66	407,340,469	268,844,710	1,280,945	845,424
88	191	6	0.76	334,783,985	254,435,829	1,752,796	1,332,125
89	199	2	1.07	500,699,083	535,748,019	2,516,076	2,692,201
90	171	11	0.84	406,393,550	341,370,582	2,376,570	1,996,319
91	154	9	0.74	725,825,282	537,110,709	4,713,151	3,487,732
92	135	2	1.64	167,580,293	274,831,681	1,241,336	2,035,790
93	119	5	0.78	441,655,485	344,491,278	3,711,391	2,894,885
94	57	4	0.83	92,802,254	77,025,871	1,628,110	1,351,331
95	43	2	1.10	62,671,958	68,939,154	1,457,487	1,603,236
96	13		1.00	21,585,407	21,585,407	1,660,416	1,660,416
Total	11639	332		11,155,970,812	17,705,358,202	Av. 958,499	Av. 1,521,210

Revenue ratio = 0.63

Table A.17

Disparity Ratios and Other Data for Properties in San Mateo County: 1991, Single Family Residential, Homeowner Exemption, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	45521	944	4.58	3,364,275,026	15,408,379,619	73,906	338,489
76	2437	84	3.50	217,877,548	762,571,418	89,404	312,914
77	3006	84	3.32	314,343,432	1,043,620,194	104,572	347,179
78	2705	73	2.48	357,333,205	886,186,348	132,101	327,610
79	3253	99	2.31	452,820,853	1,046,016,170	139,201	321,554
80	3032	108	2.09	493,733,912	1,031,903,876	162,841	340,338
81	2121	73	1.63	425,461,995	693,503,052	200,595	326,970
82	1739	68	1.47	363,124,068	533,792,380	208,812	306,954
83	2821	196	1.71	567,187,439	969,890,521	201,059	343,811
84	3818	205	1.58	788,997,336	1,246,615,791	206,652	326,510
85	3882	223	1.51	825,328,728	1,246,246,379	212,604	321,032
86	4996	325	1.46	1,153,546,424	1,684,177,779	230,894	337,105
87	6655	401	1.34	1,655,471,180	2,218,331,381	248,756	333,333
88	6558	542	1.20	1,864,163,964	2,236,996,757	284,258	341,110
89	7725	546	1.09	2,411,799,075	2,628,860,992	312,207	340,306
90	6359	498	1.08	2,002,976,897	2,163,215,049	314,983	340,182
91	8731		1.00	3,060,913,980	3,060,913,980	350,580	350,580
Total	115359	4469		20,319,355,062	38,861,221,686	Av. 176,140	Av. 336,872

Revenue ratio = 0.52

Table A.18

Disparity Ratios and Other Data for Properties in San Mateo County: 1991, Single Family Residential, Homeowner Exemption, Modified

Base Year	No. of Properties	No of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	7255	89	4.13	768,239,205	3,172,827,917	105,891	437,330
76	788	7	3.54	108,664,412	384,672,018	137,899	488,162
77	976	19	3.24	144,623,680	468,580,723	148,180	480,103
78	960	19	2.53	174,092,160	440,453,165	181,346	458,805
79	1079	25	1.91	220,631,762	421,406,665	204,478	390,553
80	845	26	2.24	207,555,660	464,924,678	245,628	550,207
81	595	9	1.06	177,260,020	187,895,621	297,916	315,791
82	447	23	1.98	150,255,921	297,506,724	336,143	665,563
83	672	20	1.96	207,003,552	405,726,962	308,041	603,760
84	714	21	1.66	226,919,196	376,685,865	317,814	527,571
85	570	33	1.68	196,852,920	330,712,906	345,356	580,198
86	649	32	1.53	244,295,282	373,771,781	376,418	575,920
87	692	38	1.41	281,665,452	397,148,287	407,031	573,914
88	542	29	1.36	272,305,678	370,335,722	502,409	683,276
89	499	38	1.14	284,826,206	324,701,875	570,794	650,705
90	199	21	1.22	121,791,980	148,586,216	612,020	746,664
91	89		1.00	58,122,785	58,122,785	653,065	653,065
Total	17571	449		3,845,105,871	8,624,059,911	Av. 218,833	Av. 490,812

Revenue ratio = 0.45

Table A.19

Disparity Ratios and Other Data for Properties in San Mateo County: 1991, Single Family Residential, Nonexempt, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	8236	439	4.44	579,122,576	2,571,304,237	70,316	312,203
76	715	20	2.79	51,534,340	143,780,809	72,076	201,092
77	1114	49	3.35	97,903,890	327,978,032	87,885	294,415
78	1136	30	2.57	117,573,728	302,164,481	103,498	265,990
79	1262	32	2.21	144,018,178	318,280,173	114,119	252,203
80	1377	49	1.77	191,927,637	339,711,917	139,381	246,704
81	992	29	1.50	154,050,656	231,075,984	155,293	232,940
82	916	31	1.28	153,222,068	196,124,247	167,273	214,109
83	1265	63	1.57	207,118,450	325,175,967	163,730	257,056
84	1420	70	1.42	227,858,880	323,559,610	160,464	227,859
85	1473	108	1.52	264,462,420	401,982,878	179,540	272,901
86	1895	97	1.49	363,172,960	541,127,710	191,648	285,556
87	2427	165	1.36	515,856,423	701,564,735	212,549	289,067
88	2495	153	1.19	672,153,000	799,862,070	269,400	320,586
89	3503	216	1.09	936,159,235	1,020,413,566	267,245	291,297
90	2920	229	1.08	893,414,880	964,888,070	305,964	330,441
91	4080		1.00	1,371,010,560	1,371,010,560	336,032	336,032
Total	37226	1780		6,940,559,881	10,880,005,047	Av. 186,444	Av. 292,269

Revenue ratio = 0.64

Table A.20

Disparity Ratios and Other Data for Properties in San Mateo County: 1991, Single Family Residential, Nonexempt, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	512	43	3.92	64,132,096	251,397,816	125,258	491,011
76	71	5	3.19	8,100,674	25,841,150	114,094	363,960
77	98	6	3.21	13,210,498	42,405,699	134,801	432,711
78	100	15	2.36	18,416,900	43,463,884	184,169	434,639
79	124	6	2.19	21,567,444	47,232,702	173,931	380,909
80	114	5	1.05	22,781,760	23,920,848	199,840	209,832
81	76	4	1.30	21,832,596	28,382,375	287,271	373,452
82	67	6	1.74	19,977,390	34,760,659	298,170	518,816
83	112	10	1.39	39,245,696	54,551,517	350,408	487,067
84	101	2	1.96	27,111,026	53,137,611	268,426	526,115
85	96	7	1.67	25,922,112	43,289,927	270,022	450,937
86	103	5	1.47	28,564,269	41,989,475	277,323	407,665
87	163	11	1.56	74,043,076	115,507,199	454,252	708,633
88	124	5	1.05	51,718,168	54,304,076	417,082	437,936
89	165	28	1.28	82,130,235	105,126,701	497,759	637,132
90	142	4	1.05	95,054,516	99,807,242	669,398	702,868
91	54		1.00	40,137,444	40,137,444	743,286	743,286
Total	2222	162		653,945,900	1,105,256,325	Av. 294,305	Av. 497,415

Revenue ratio = 0.59

Table A.21

Disparity Ratios and Other Data for Properties in San Mateo County: 1996, Single Family Residential, Homeowner Exemption, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	37651	1409	4.32	2,874,661,016	12,418,535,589	76,350	329,833
76	2005	91	3.51	182,824,069	641,712,482	91,184	320,056
77	2487	112	3.07	272,964,987	838,002,510	109,757	336,953
78	2183	98	2.45	296,725,156	726,976,632	135,925	333,017
79	2582	150	2.26	373,931,249	845,084,623	144,822	327,298
80	2412	129	1.84	411,229,297	756,661,906	170,493	313,707
81	1635	96	1.53	343,298,713	525,247,031	209,969	321,252
82	1361	71	1.52	296,699,753	450,983,625	218,001	331,362
83	2122	111	1.61	447,163,854	719,933,805	210,728	339,271
84	2705	180	1.47	582,377,056	856,094,272	215,297	316,486
85	2779	179	1.46	624,769,484	912,163,447	224,818	328,234
86	3559	233	1.35	854,486,140	1,153,556,289	240,092	324,124
87	4584	346	1.23	1,194,172,035	1,468,831,603	260,509	320,426
88	4385	297	1.13	1,275,706,053	1,441,547,840	290,925	328,745
89	5138	252	1.10	1,528,383,586	1,681,221,945	297,467	327,213
90	4253	203	1.08	1,242,805,790	1,342,230,253	292,219	315,596
91	4056	191	1.09	1,284,520,865	1,400,127,743	316,696	345,199
92	4677	222	1.07	1,557,084,162	1,666,080,053	332,924	356,228
93	5433	233	1.11	1,776,761,633	1,972,205,413	327,031	363,005
94	6250	411	1.10	2,155,859,191	2,371,445,110	344,937	379,431
95	4996	293	1.22	1,771,251,552	2,160,926,893	354,534	432,531
96	8960		1.00	2,862,018,679	2,862,018,679	319,422	319,422
Total	116213	5307		24,209,694,320	39,211,587,743	Av. 208,322	Av. 356,228

Revenue ratio = 0.62

Table A.22

Disparity Ratios and Other Data for Properties in San Mateo County: 1996, Single Family Residential, Homeowner Exemption, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	7370	201	3.94	824,539,929	3,248,687,320	111,878	440,799
76	792	33	3.45	113,167,008	390,426,178	142,888	492,962
77	982	37	3.07	152,901,294	469,406,973	155,704	478,011
78	939	24	2.49	180,078,385	448,395,179	191,777	477,524
79	1088	37	2.46	227,187,168	558,880,433	208,812	513,677
80	879	24	2.00	227,157,746	454,315,492	258,427	516,855
81	602	23	1.57	182,077,924	285,862,341	302,455	474,854
82	469	12	1.59	159,284,072	253,261,674	339,625	540,004
83	747	36	1.85	235,371,050	435,436,443	315,088	582,914
84	812	39	1.67	250,538,357	418,399,056	308,545	515,270
85	674	43	1.57	228,540,289	358,808,254	339,081	532,356
86	812	45	1.51	294,590,599	444,831,804	362,796	547,822
87	915	74	1.34	360,951,528	483,675,048	394,483	528,607
88	722	38	1.17	340,836,927	398,779,205	472,073	552,326
89	631	44	1.15	348,405,483	400,666,305	552,148	634,970
90	412	39	1.09	221,416,304	241,343,771	537,418	585,786
91	364	19	1.14	210,505,766	239,976,573	578,313	659,276
92	362	18	1.26	246,243,874	310,267,281	680,232	857,092
93	290	6	2.06	195,428,112	402,581,911	673,890	1,388,213
94	246	14	1.17	155,473,986	181,904,564	632,008	739,449
95	131	6	2.11	93,775,612	197,866,541	715,844	1,510,432
96	29		1.00	15,733,255	15,733,255	542,526	542,526
Total	20268	812		5,264,204,668	10,639,505,601	Av. 680,232	Av. 524,941

Revenue ratio = 0.49

Table A.23

Disparity Ratios and Other Data for Properties in San Mateo County: 1996, Single Family Residential, Nonexempt, Nonmodified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	7181	803	4.25	459,963,910	1,954,846,618	64,053	272,225
76	598	58	3.33	44,062,438	146,727,919	73,683	245,364
77	918	50	2.70	78,293,293	211,391,891	85,287	230,274
78	954	62	2.48	102,400,921	253,954,284	107,338	266,199
79	1039	94	2.13	116,986,145	249,180,489	112,595	239,827
80	1111	69	1.84	159,090,712	292,726,910	143,196	263,481
81	808	47	1.55	127,950,158	198,322,745	158,354	245,449
82	708	36	1.40	121,371,311	169,919,835	171,428	240,000
83	965	49	1.44	158,823,892	228,706,404	164,584	237,001
84	1079	96	1.51	173,675,454	262,249,936	160,960	243,049
85	1050	110	1.37	194,837,251	266,927,034	185,559	254,216
86	1357	128	1.29	258,796,445	333,847,414	190,712	246,019
87	1583	187	1.21	326,504,631	395,070,604	206,257	249,571
88	1523	149	1.12	393,605,295	440,837,930	258,441	289,454
89	2002	191	1.16	490,674,079	569,181,932	245,092	284,307
90	1700	102	1.09	450,356,340	490,888,411	264,915	288,758
91	1239	78	1.14	352,020,001	401,302,801	284,116	323,892
92	1294	96	1.12	387,248,564	433,718,392	299,265	335,177
93	1313	121	1.07	378,922,754	405,447,347	288,593	308,795
94	1784	174	1.16	562,838,289	652,892,415	315,492	365,971
95	1985	342	1.36	632,629,635	860,376,304	318,705	433,439
96	5909		1.00	1,772,353,612	1,772,353,612	299,941	299,941
Total	38100	3042		7,743,405,130	10,990,871,225	Av. 203,239	Av. 288,474

Revenue ratio = 0.70

Table A.24

Disparity Ratios and Other Data for Properties in San Mateo County: 1996, Single Family Residential, Nonexempt, Modified

Base Year	No. of Properties	No. of Sales	Median Disparity Ratio	Total Assessed Value	Total Market Value	Average Assessed Value	Average Market Value
1975	542	57	3.91	56,872,555	222,371,690	104,931	410,280
76	58	11	3.16	6,772,850	21,402,206	116,773	369,004
77	85	10	2.85	9,947,326	28,349,879	117,027	333,528
78	108	22	2.49	17,721,279	44,125,985	164,086	408,574
79	120	26	2.29	22,244,578	50,940,084	185,371	424,501
80	104	8	2.15	19,059,318	40,977,534	183,263	394,015
81	73	8	1.65	22,656,502	37,383,228	310,363	512,099
82	64	6	1.77	18,703,199	33,104,662	292,237	517,260
83	90	12	1.91	25,331,213	48,382,617	281,458	537,585
84	82	16	1.77	20,366,372	36,048,478	248,370	439,616
85	70	10	1.62	18,004,312	29,166,985	257,204	416,671
86	97	27	1.39	27,671,674	38,463,627	285,275	396,532
87	104	21	1.26	35,982,923	45,338,483	345,990	435,947
88	112	17	1.21	39,307,448	47,562,012	350,959	424,661
89	113	24	1.14	46,234,710	52,707,569	409,157	466,439
90	97	10	1.26	47,477,983	59,822,259	489,464	616,724
91	65	5	1.00	32,878,441	32,878,441	505,822	505,822
92	58	10	1.34	46,499,381	62,309,171	801,713	1,074,296
93	59	4	1.42	57,890,065	82,203,892	981,188	1,393,286
94	50	5	2.21	40,750,015	90,057,533	815,000	1,801,151
95	45	21	1.77	39,430,536	69,792,049	876,234	1,550,934
96	26		1.00	20,075,903	20,075,903	772,150	772,150
Total	2222	330		671,878,583	1,193,464,287	Av. 302,376	Av. 537,113

Revenue ratio = 0.56

About the Authors

STEVEN M. SHEFFRIN

Steven Sheffrin is Dean, Division of Social Sciences, and a professor of economics at the University of California, Davis. He also serves as Director of the Center for State and Local Taxation at U.C. Davis. He has been a visiting professor at the London School of Economics, Oxford University, and Princeton University and has worked as an economist in the Office of Tax Analysis of the U.S. Department of the Treasury. His work in macroeconomics and tax policy has been widely published. Sheffrin holds a B.A. from the College of Social Studies, Wesleyan University, and a Ph.D. in economics from the Massachusetts Institute of Technology.

TERRI A. SEXTON

Terri Sexton is a professor of economics at California State University, Sacramento, and a research associate in the Institute of Governmental Affairs at U.C. Davis. She has also served as a visiting associate agricultural economist in the Department of Agricultural and Resource Economics and as a visiting assistant professor in the Department of Economics at U.C. Davis. She has served as a member of the Task Force on Fiscal Reform of the California Business and Higher Education Forum, as co-investigator in a property tax oversight study conducted for the California State Board of Equalization, and as co-investigator, along with Steven Sheffrin and Arthur O'Sullivan, in a comprehensive study of the economic and fiscal effects of Proposition 13, which culminated in *Property Taxes and Tax Revolts: The Legacy of Proposition 13* (Cambridge University Press, 1995). Her writings have appeared in such publications as the *National Tax Journal*, *Land Economics*, *RAND Journal of Economics*, and the *Journal of Urban Economics*. Sexton holds a B.S. in economics, a Bachelor of Mathematics, and a Ph.D. in economics from the University of Minnesota.

Other PPIC Publications

Dardia, Michael (1998), *Subsidizing Redevelopment in California.*

Dresch, Marla, and Steven M. Sheffrin (1997), *Who Pays for Development Fees and Exactions?*

Johnson, Hans P. (1996), *Undocumented Immigration to California: 1980–1993.*

Lewis, Paul G. (1998), *Deep Roots: Local Government Structure in California*.

Lewis, Paul G., and Mary Sprague (1997), *Federal Transportation Policy and the Role of Metropolitan Planning Organizations in California*.

MaCurdy, Thomas, and Margaret O'Brien-Strain (1997), *Who Will Be Affected by Welfare Reform in California?*

MaCurdy, Thomas, and Margaret O'Brien-Strain (1998), *Reform Reversed? The Restoration of Welfare Benefits to Immigrants in California.*

Reed, Deborah, Melissa Glenn Haber, and Laura Mameesh (1996), *The Distribution of Income in California.*

Reyes, Belinda I. (1997), *Dynamics of Immigration: Return Migration to Western Mexico.*

Shires, Michael A., and Melissa Glenn Haber (1997), *A Review of Local Government Revenue Data in California.*

Shires, Michael A., John Ellwood, and Mary Sprague (1998), *Has Proposition 13 Delivered? The Changing Tax Burden in California.*

Smolensky, Eugene, Eirik Evenhouse, and Siobhán Reilly (1997), *Welfare Reform: A Primer in 12 Questions.*

Spetz, Joanne (1996), *Nursing Staff Trends in California Hospitals: 1977 through 1995*.

Copies of PPIC publications may be ordered by e-mail (order@ppic.org) or phone (415) 291-4400. Full text versions are also available at: www.ppic.org.