

## **Prop. 13 and Healthcare Districts**

In a campaign flyer supporting Harland Harrison, I included the following in my message to voters: “An unintended consequence of Prop 13 has left our county with obsolete special districts still collecting a piece of 1% General Property Tax, which is hidden from taxpayers. Sequoia Healthcare District is a glaring example of a district which, having sold its hospital, now just collects taxes for their favourite charities. Many of these charities operate outside district boundaries.”

Christopher Schmidt provided this excellent analysis of the situation.

*Prop 13 is silent on the question of how tax revenue is allocated.*

*Prop 13 capped general property taxes at 1% of assessed value. Because at the time property taxes typically totaled somewhat more than that (varying, depending on where you lived) the problem arose of how to reduce tax distributions to match revenue.*

*The “solution” of dividing revenue in the same proportions that preceded Prop 13 was an expedient “temporary fix” created by AB8 and refined a little by subsequent legislation. The legislature has now failed for 40 years in a row to replace that “temporary fix” with something more rational, and Prop 98 made the situation much worse (for all agencies other than K-14 schools) by granting schools a larger slice from time to time, screwing everyone else.*

*AB8 or one of its followons did specify, however, that when a district changes the scope of its operations, its share of the property tax pie should be adjusted accordingly, but that was not done in the case of Sequoia, when they sold the hospital. The other districts in Sequoia’s tax rate area SHOULD have insisted on it (and still should) but I think the problem is that all of our districts are basically run by the same people, so they don’t really care. They kind of like Sequoia as a slush fund. When Sequoia started paying the school nurses, the schools properly should have ceded some of their AB8 revenue share to Sequoia, but that would have run counter to their purpose, so of course they once again forgot to reallocate.*

*Aside: The voter approved Gann Limit (Prop 4, 1979, limiting agency spending to inflation \* population change) would have eventually brought total spending to below the 1% limit, ending the need to divvy up the revenue in historical proportions, because real estate prices (and therefore property tax revenue) have far exceeded inflation since that time. Today property tax revenue far, far exceeds what it was before Prop 13, even after adjusting for inflation. But, alas, the Gann Limit was effectively destroyed by trickery in the Traffic Congestion Relief Act, and spending excess has managed to outpace even the growth in real estate prices, so the sum of spending still rides tight against the 1% of assessed valuation envelope.*

