
THE DEMOGRAPHICS OF PROPOSITION 13

LARGE DISPARITIES BETWEEN THE GENERATIONS AND THE UNSUSTAINABLE EFFECTS OF HOUSE PRICES

Executive Summary

Proposition 13's origins and cumulative effects over its 30 years are intertwined with California's soaring house prices. The traumatic crash of 2008 calls new attention to our ingrained assumptions about upward price trends and exposes a severe generational inequity. The older generation now holds a rich advantage, while the younger generation no longer can make up for the seniors' discounted low payments. This study examines the winners and losers by demographic subgroup, focusing on the property taxes and house values of home owners. (See note below.)

Prop 13, as it is commonly known, was designed for a regime of rising home prices that has now ended. Its two main pillars were a fear of rising prices that drove property taxes to exorbitant levels and the promise that high taxes paid by new buyers would be reduced over time by inflation and made up for by higher taxes paid by other people when they bought at even higher prices in later years. Ever rising prices were the necessary key assumption.

As long as this system worked as expected, each generation of home owners could benefit, and the rising level of tax payments by new buyers would offset the steep discounts accorded to the earlier buyers. Without the ever rising levels of tax payments by new buyers, however, the system could not remain solvent. The crash of 2008 has now ended this regime, for the statewide decline in prices by 40% far exceeds that in the only previous downturn in the Prop 13 era (15% in the 1990s). In fairness to property owners whose market values have fallen below assessment, tax assessors are now issuing temporary decline-in-value reassessments (as required by Proposition 8) that reduce the recent-buyers' extra high tax contributions. This lost revenue was formerly used to cover the Prop 13 discounts and implicitly subsidize the longtime home owners. Looking forward it seems doubtful that prices and tax assessments will recover to their former level in the next decade or beyond. Until they do, it seems more likely that recent home buyers, state and local governments, and public service users will be left in a depressed state.

Only the longer-time home owners are faring well today. The legacy of Prop 13 is a major generational disparity that has widened over the decades. The generation once thought at risk for eviction from their homes because of high property taxes has now captured a California windfall. Prop 13 may have worked too well: Long time residents now pay lower property taxes than the national average, yet at the same time they have captured much greater wealth from California's high house values. In a complete reversal of fortune, it is now the young adults who recently bought homes that face risk of eviction.

Some of the key findings from the study follow.

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Low Taxes but High Values for Long-time Owners

- Comparing California and the US in 2007, home owners who occupied their homes before 1978 paid only \$1,571 in property taxes compared to the national average of \$1,994. (New Jersey was the highest with \$6,155.)
- At the same time, California's long-time home owners had average home values of \$586,409 versus \$240,277 in the US, giving them much greater assets.

High Taxes and High Values for Recent Buyers

- In contrast, home owners who bought their homes between 2003 and 2007 paid \$4,787 in property taxes compared to the national average of \$2,848. (New Jersey again was the highest with \$6,264.)
- House values of California's recent buyers averaged \$564,009 in 2007 versus \$289,546 in the US, which presents a high barrier to entry with a new mortgage.

Young Home Owners are Likely to be Recent Buyers at Risk in the Downturn

- Of California home owners under age 30, 78.5% bought their homes in 2003-07, as well as 68.5% of those age 30 to 34 and 52.9% of those age 35 to 39. This compares to 19.7% among owners age 55 to 59, for example.
- It is these young recent buyers who are most at risk during the post-2007 housing crash, because they bought at the highest prices and are most likely to have their 2009 house value fall below their tax assessment and even below the principal owed on their mortgages.

Tax Savings from Prop 13 are Very Unequal and Based on Generational Differences

- Tax "savings" defined as the difference between 1% of current value and actual property taxes paid (both as self reported in the American Community Survey) averaged \$2317 in 2007.
- The greatest disparities are based on year of purchase, with \$4293 savings for occupants since before 1978 and only \$853 savings for recent buyers (2003-07), a difference of \$3440.
- Other large disparities in savings are found between home owners of different age groups: \$3213 for owners ages 70-74 and \$796 for owners ages 25-29, a difference of \$2417.
- Much smaller disparities are found by race, with only \$757 separating the tax savings of the highest and lowest groups. This is because each race

contains its own generational differences, which tend to balance out. For example, there is a \$2513 difference in tax savings between old and young white home owners.

Recent Buyers and the Young Subsidize the Tax Savings of Others

- Groups with high payments and below average tax savings necessarily subsidize the groups with low payments and above average savings. The subsidies do not come from government but from the contributions of fellow tax payers.
- The largest tax subsidy is provided by recent buyers (2003-07), who contribute \$1464 more than average. Longtime home owners paying discounted taxes are the beneficiaries.
- Substantial tax subsidies are also provided by home owners younger than 45 or especially 35, with the beneficiaries being home owners older than 55 or especially 65.

Rising House Prices Once Helped Prop 13 to Function Well But Have Now Reversed

- "Ever rising house prices" is the fundamental assumption underlying Prop 13. New buyers entered the taxpayer system with high tax payments in booms of the late 1970s, late 1980s, and early 2000s. Volumes of home sales increased roughly 25% in each of these periods compared to the preceding, and the prices paid were at least 50% greater than before.
- Previous buyers enjoyed low tax assessments that fell further below the market value with each boom.
- The Crash of 2008 calls this all into question, because prices fell 40% from their peak compared to 15% in the only prior downturn (the long recession of the 1990s).
- Future price trends are unknowable, but three reasonable scenarios suggest prices could rise by 2020 to a level that is higher than 2009 by 37% to 54%. (A more pessimistic scenario of long-term price stagnation, such as occurred in Japan in the 1990s or in the U.S. during the Great Depression, is not considered.) Nonetheless, this growth is not sufficient to recover the steep losses since 2007. As a result, buyers since 2003 are likely to gain few if any benefits from Prop 13.

Public Opinion in Support of Prop 13 Depends on House Prices

- Although it is believed that support for Prop 13 is a constant, that may be true only during boom times.

Surveys in 1978 and 2008 both registered public opinion after several years of large price increases.

- A 1998 survey by the Public Policy Institute of California tapped public opinion after a period of flat price increases in the 1990s, revealing substantially lower preferences for unequal taxes than was later registered in 2008. Among likely voters, this feature of Prop 13 was favored by 40.1% in 1998 vs. 48.3% in 2008; among renter voters, 25.1% vs. 28.1%; and among home owner voters, 46.3% vs. 56.6%. Increases in support for Prop 13 after the price boom thus were much greater among home owners than renters.

Public Support for Prop 13 is Softer Among the Younger Generation

- Asked by the Field Poll if they would vote for Prop 13 if given a chance, fewer of the recent buyers said yes (54%) than buyers who resided in their homes since before 1978 (79%).
- Recent buyers were also much less likely to be very familiar with Prop 13 (29%) than the long-time owners (75%), suggesting they did not yet have a firm position.
- Young voters in fact expressed no opinion on the question much of the time (37% among those under age 40) compared to older voters (less than 10% among those age 60 and over).

Implications for Public Policy

- An education plan is needed to ensure that California citizens understand Prop 13 and the effects of its many provisions.
- Dependency on ever rising house prices is no longer a good basis for fiscal policy. Alternative designs must be explored.
- Continued guarantees against unexpected large spikes in property taxes must be promoted.
- There is an unacceptable discrepancy between longtime owners' property taxes below the national average and their far higher housing wealth, especially when that discrepancy is supported by extra high taxes imposed on recent buyers who struggle with those high prices.
- Public policy needs to be more future regarding and not simply maximizing benefits for current voters at future expense.

Note The present study is limited only to the question of house values and property tax payments by home owners, who constitute 74% of the voters in 2009. It is not concerned with commercial or rental properties. The study also does not address broader issues of Prop 13, including the effects of tax limitations on service delivery, local control of tax revenues, or the two-thirds voting rule. Preparation of this report was conducted as part of a broader study of California's changing political demography, with support from the John Randolph and Dora Haynes Foundation.

Introduction

Proposition 13 has entered an era of new scrutiny after many years of benign acquiescence. The voters remain firmly committed to Prop 13, as it is commonly known, and certainly no political leader is eager to challenge this “third rail” or “sacred cow” of California politics. Indeed the law is embedded in the state’s constitution and unassailable without consent of a majority of the voters, a likelihood not indicated by any opinion poll.

Recent events are forcing a review of how much has changed in California since June 6, 1978, the date when 65% of voters ushered in the era of Prop 13. The 30-year anniversary of the Proposition’s passage came last year, which naturally has inspired some continuing reflection. Newly published proceedings from a conference held in 2008 on the anniversary day of the vote provide a rich array of perspectives and insights on Proposition 13 (Citrin and Martin 2009).

A greater reason for reexamination, of course, is the extended and traumatic budget crisis that has paralyzed Sacramento and threatened local governments with lost revenue. As a consequence, property owners and residents statewide face a cascade of service cutbacks and eliminations. The extensive media attention has cast a pall on the Golden State’s treasured reputation, leading many to ask just what is wrong with our state and how will we ever recover? In the search for viable solutions, public and private leaders are urging that no stone be unturned.

The impetus for the present study is a third event, the extraordinary crash in property values from 2007 to 2009. The unprecedented, steep decline marking the end of the most extensive housing price boom of the post-war era also threatens the very foundation of Prop 13. More than just a contributing factor to the state’s economic malaise, house values have a special significance because the great boom in the mid-1970s is what launched the tax revolt in the first place. Support for Prop 13 is founded on fear of sharply increased property taxes that are tied to rising house prices. And voters’ tolerance of the unequal tax burdens created by Prop 13 is predicated on assumptions of ever-rising house prices. Today the

outlook for price increases and rising property taxes is profoundly shifted.

The present study is focused on the demographics of home buying and property taxes. We seek an answer to one main question, namely what are the demographics of the home owners who are winners and losers under Prop 13? A second question to be addressed is how the changes in house prices over time have impacted support for Prop 13. In particular, what may the future hold now that prices have crashed so dramatically?

In approaching this analysis, the study contributes a strong generational perspective on fiscal relations that resonates with practical understandings of Prop 13. The aim is to bring into the public arena some key insights from demographic analysis that generally are not included in studies of fiscal relations or politics. This research is guided by an obscure field known as housing demography which can help us better understand the dynamics of change over time, when people buy houses at different points in a volatile market, and then as they occupy their homes for growing durations and grow older in age at the same time (Myers 1990). Prop 13 was designed around those concepts, not because of some scientific rationale, but for a political purpose that responded to the lived experience of a generation of home owners. Another source of guidance is the general field of social demography and its integration with public opinion. Comparison of the experiences and opinions between older and younger generations is vital to understanding and resolving California’s current predicament.

This study sheds new light on our state of affairs and may well help to spur innovative thinking by many of California’s leaders or concerned residents. The research design takes advantage of a new data set produced by the Census Bureau on an annual basis. The American Community Survey (see Appendix) taps a very large sample of residents in California and throughout the US, providing an extraordinary opportunity to study annual changes in house values and property tax payments jointly with the charac-

teristics of home owners. The survey reports the year that currently owner-occupied homes were acquired, and it collects data on the owners' ages, race and ethnicity, and place of birth, as well as house values and property tax payments, among other variables. The latest version of the survey for which data are currently available pertains to 2007, an ideal year for marking the high point of the recent house price boom. We can supplement those data with other data on house price trends from 1975 to 2009 in order to simulate the effects of Prop 13's provisions for property reassessment and tax assignment. Also incorporated in the analysis are public opinion data collected by the Field Poll in the mid 1970s and mid 2000s, as well as public opinion data collected by the Statewide Poll of the Public Policy Institute of California in 1998 and 2008.

Creating Stability Amidst House Price Volatility

At the heart of Prop 13 lies an effort to protect residents on fixed incomes from rapid increases in property taxes that are indexed directly to surging market values. Joel Fox drums this home: "Before Proposition 13 passed, the certainty in property taxes belonged to the tax collector. After Proposition 13, the certainty in property taxes belongs to the taxpayer. *That is the revolutionary idea behind Proposition 13*" (Fox 2009: 163; emphasis in the original). The fear often heard repeated is that residents were at risk of being driven from their homes.

Rapid inflation in the economy and especially in house prices after 1974 led to very large and sudden increases in property tax bills, often as much as 60% in a single two-year reassessment cycle.¹ Passage of Prop 13 had many effects, but the direct impacts on property tax payments were three-fold. First was a rollback of assessed valuations to market values in 1975, a date prior to the major portion of the 1970s boom. After that, second, the annual increase in assessed value would be capped at 2% per year. And finally, third, the Proposition also set a property tax rate of 1% of assessed valuation, which was much lower than currently prevailing in California, 2.6% according to Sears and Citrin (1982: 22) and 2.7% according to Doerr (2009: Table 1). The first and second provisions created a generational disparity by benefiting existing home owners at the expense of those yet to come. New buyers in future acquisition

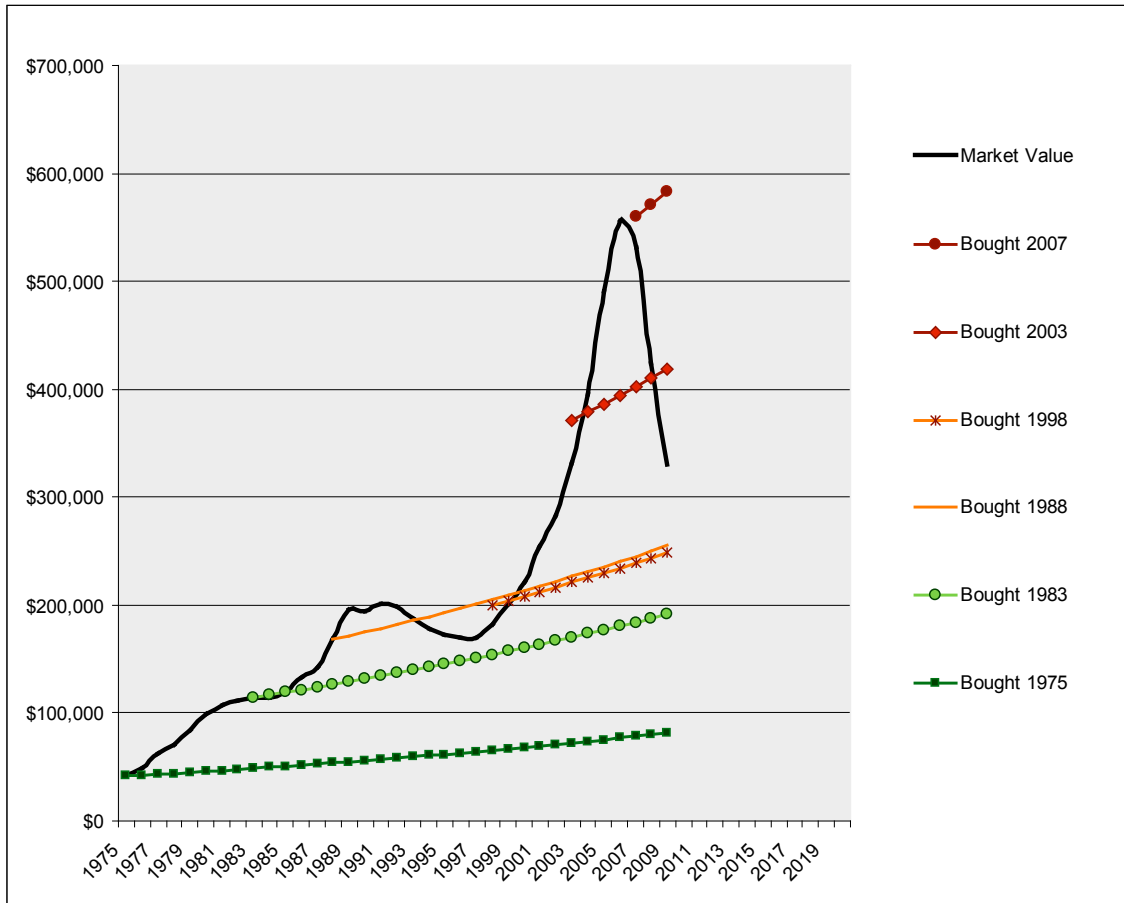
years would lock in their assessments subject to the same rules and all would gain increased tax savings to the extent that market values increased faster than 2% per year. But earlier buyers at lower assessments held a lasting advantage for as long as they lived in their homes.

Solutions to the effects of house price volatility were surely needed in California. The extraordinary record of rising prices in California, far in excess of national averages, is portrayed in Exhibit 1. Over the 34-year period portrayed, prices increased more than 10% per year 16 times. Overlaid on the price trend are the trajectories of stabilized assessments enjoyed by buyers in different acquisition years, creeping up at a steady 2% per year. The earlier that a home owner acquired a property, the better the deal under Prop 13. The median sales price in 1975 was \$41,600, and in 2009 that property would be assessed at a maximum of only \$81,564, if continuously owned. In contrast, the full market value in 2009 is estimated at \$329,845, based on the OFHEO constant quality price index series for California. This is a substantial decrease from the peak value of \$555,728 in 2006, and from \$531,789 in 2007. The 1% property tax on the \$81,564 assessment is obviously far lower than taxes paid on the full market value if a new owner were to acquire the same property.

What kept the system solvent for providing public services, despite these protections at low levels of payment was, initially, in 1979 through 1981, an accumulated surplus of funds in the state government. However, after that solvency was dependent on a large and continuous flow of new buyers who would make home purchases, and be assessed, at ever-increasing house prices. The major boom in house values and property turnover in the latter half of the 1980s was of great benefit in this connection. From 1985 to 1989 median house prices soared by 63.6% and the volume of annual home sales increased by 42.2% compared to the first half of the decade.² These new high-price buyers essentially funded the system by making up for the reduced taxes enjoyed by the earlier homebuyers. In essence, the earlier generation gained a property tax subsidy from the incoming generation.

The long recession of the 1990s was the first challenge to the viability of a Prop 13 based fiscal system in California. House values fell by about 15% and the volume of property turnover declined 11.7% from the late 1980s. Many municipalities struggled and were driven to more creative means of balanc-

Exhibit 1. Market Value Trend versus Maximum Tax Assessment After Acquisition Year



Source: California Association of Realtors and the Office of Federal Housing Enterprise Oversight

ing their books. The most famous failure in this period was Orange County, the largest municipality in US history to declare bankruptcy under Chapter 9 protection (Baldassare 1998). In the latter 1990s, the housing market and economy revived with a volume of home sales 25.1% greater than in the first half, followed by another 26.8% expansion of sales volume in the first half of the 2000s. Meanwhile, house prices began their epic rise, soaring by 213% between 1997 and 2007. The combination of record numbers of new buyers and record high house prices ensured that the property tax system would receive a much needed infusion of revenue contributed by new buyers. However, this was not to be sustained.

The volatility of house prices in California creates some years when maximum assessments under Prop 13 rules could exceed actual market value. Before today, this had occurred only once before, during the 1990s recession. For example, as shown in Exhibit 1, a buyer in 1988 would have encountered several years where tax assessments exceeded market value.

County tax assessors could require less than the full 2% increase allowable, and home owners even could appeal for a reduction in assessed value if justified. Today, however, the drastic plunge in values post-2007 has generated a much more severe discrepancy between assessed and market value: prices fell 40%, not 15%, as in the 1990s. In response, the Los Angeles County Office of the Assessor, for example, initiated a proactive, temporary decline-in-value review of all single-family residences and condominiums purchased between July 1, 2003 and June 30, 2008.³ The Assessor reports that reductions were granted to 333,000 owner-occupied properties, for an aggregate property tax reduction of roughly \$440 million per year. While this is a relief to the recent home buyers, it is a huge loss to the fiscal plan that supports the low assessments of earlier buyers by higher assessments for recent buyers. In total, 2009 has witnessed a statewide reduction in assessed property values of all types equal to \$107 billion, reportedly the first decline in aggregate assessed value in California since records were first kept in 1933.⁴

Exceptional Tax Payments in California

California is truly exceptional, and to gain better perspective, it is useful to compare California's house values and tax payments with the whole of the United States. For this we can make use of the 2007 American Community Survey. House values and property taxes are displayed on the same graph (Exhibit 2). In the US as a whole, reported property tax payments are about 1% of reported house values for home owners in all acquisition years. As evident, California is certainly different. An extremely wide divergence between property values and taxes has accrued for earlier acquisition years.

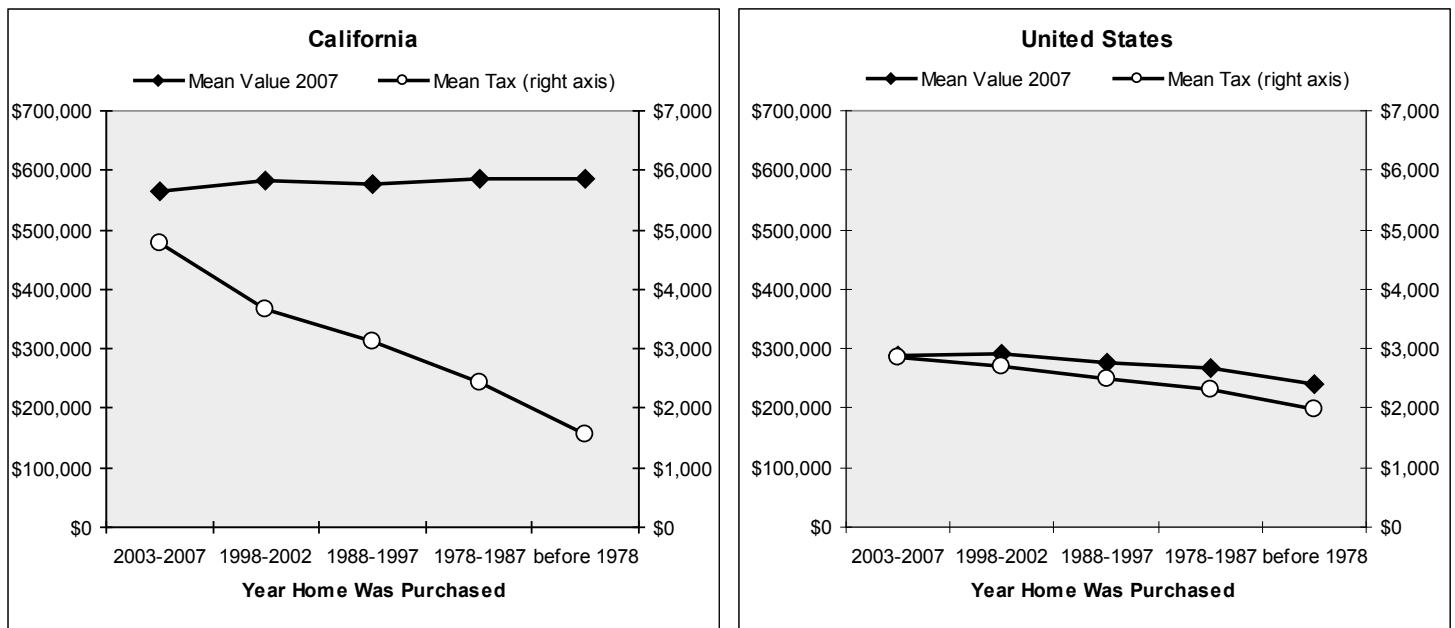
Tax payments fall so low among the longest resident home owners in California, in fact, that they are *even lower than the U.S. average* for all home owners who have resided in their homes since 1978 or before. No matter that their house values in 2007 were more than twice as high as the nation's (\$586,409 versus \$240,277), property taxes were substantially lower (\$1,571 versus \$1,994) for this favored group of California home owners. In fact, it would be fair to say that Prop 13 has worked so well that the earlier risk of rising property taxes has been turned into a California windfall. Long time residents get to enjoy both

lower taxes than the nation and also the added wealth from much greater appreciation in their house values. (A comparison of all 50 states by the year the home was occupied is provided in the Appendix.)

This discrepancy of low taxes despite high prices is reflected in the fiscal structure of California. In the 2005-06 fiscal year, the most recent for which comparisons are possible, California gained only 22.7% of its state and local tax revenue from property taxes.⁵ That was well *below* the national average of 30.0%, which does not seem reasonable because California's house values lie so far *above* the national average.

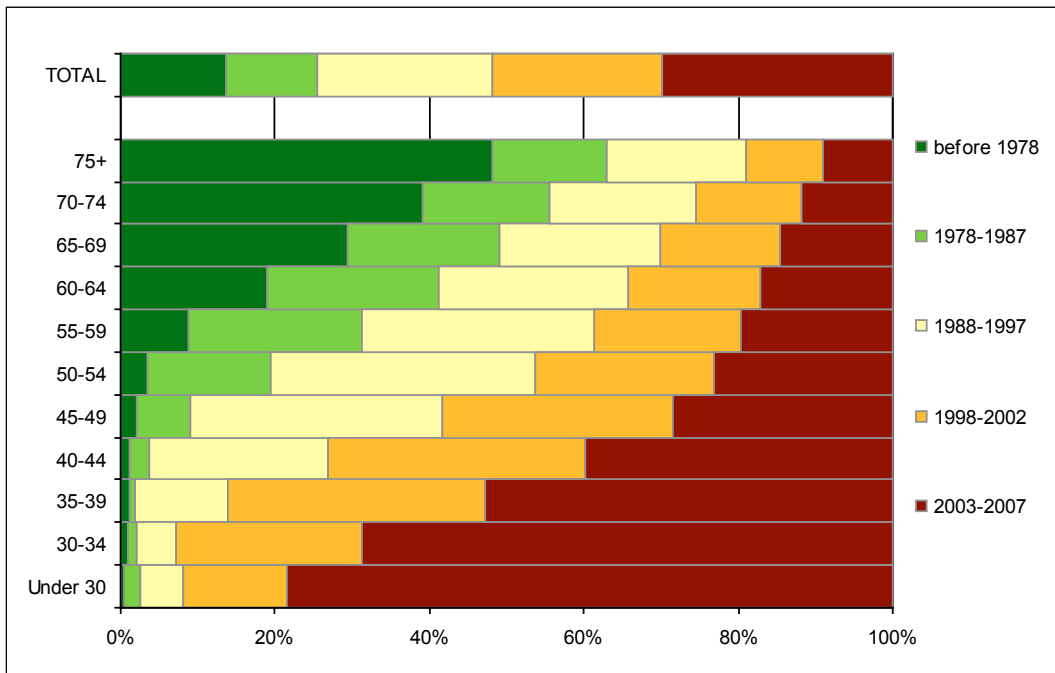
Low taxes for longer resident home owners equate to advantages for older home owners. That is because acquisition year is closely related to the age of home owner. California home owners who are older tend to be longer resident in their homes, while those who are young are necessarily recent buyers (Exhibit 3). Although 13.5% of California home owners have lived in their homes since before 1978, and thus are eligible for the maximum benefits provided through Prop 13, that applies to nearly half (48.1%) of all home owners over age 75. In fact, this is a clear underestimate of the number of advantaged home owners. Home owners older than 55 have a special eligibility for property tax savings that allows them to retain their earlier, low tax assessment even when they move to a new home.

Exhibit 2. House Values and Property Tax Payments in California and the United States by Acquisition Year, as Reported by Home Owners in 2007



Source: American Community Survey 2007

Exhibit 3. Date of Home Purchase by Age of Home Owner, California, 2007



Source: American Community Survey 2007

Home owners age 65 and older in Exhibit 3 who moved to a new home since 1998 hold this eligibility.

In contrast, the young home owners in California are the most recent buyers and the most exposed to current volatility. A total of 29.8% of all California home owners occupied their homes since 2003, but this is much more common among age groups younger than 45. Over two-thirds of home owners younger than 35 fall into this category of recent buyers.

Far different from 1978, today it is the young buyers who are the group most at risk in California. These are the home owners now most at risk for a decline in market value below their assessed valuation. Worse, these buyers have not had time to accumulate substantial equity in their homes and they are at dire risk of having their house values fall below the principal owed on their mortgages, making them prime candidates for mortgage default.

Unequal Benefits Under Proposition 13

Closer examination of the pattern of benefits is warranted, using the data reported by home owners surveyed in the American Community Survey. These

data provide an internally consistent set of estimates about current market value for house prices and current property tax payments. The great value of these data is that we can mine them to reveal differences in property tax payments in relation to demographic differences that are not recorded in the actual tax assessor records.

Our survey data should be considered as only proxy estimates for true property taxes paid in the current year. There is not a guarantee that these respondent estimates closely match the tax assessor records. However, we believe they are reasonably unbiased and can be used to reveal key differences of interest. A long series of research studies has shown that respondents' estimates of their house values are surprisingly unbiased.⁶ That is to say, one home owner's estimate may be high and the other low, but on average they balance out and represent the actual market value reasonably closely. Presumably respondents are also informed about their property tax payments as well.

Level of Tax Savings

"Property tax savings" are estimated in these data as the difference between 1% of reported house value and the reported property tax payment. The general accuracy of these data are supported by the evidence shown in Exhibit 2, which contrasted California

and the U.S. Large disparities in tax payments are observed between particular demographic groups. The estimated savings in 2007 are displayed by year of home purchase, age of home owner, and by race or Hispanic origin (Exhibit 4). The average savings for all home owners in 2007 was \$2,317 per year, but this ranges from a low of \$853 among purchasers after 2003 to a high of \$4,293 among buyers before 1978. In terms of age, the lowest savings are among home owners ages 25-29 (\$796) and the highest savings are among ages 70-74 (\$3,213). Based on earlier discussion, there is a clear correlation between younger home owners who are more recently moved and older home owners who are long resident. Examined by the race or Hispanic origin of home owners, average tax savings per year range from \$1,857 among Latinos and \$1,838 among Asians to \$2,164 among African-Americans and \$2,595 among non-Hispanic whites.

It might seem surprising that this less-than-\$800 difference between the highest and lowest tax saving racial group is far smaller than the \$2,400 difference by age and the \$3,400 difference by period when the house was purchased. The reason for the slight difference is that white home owners include not only older home owners of long residence but also many young home owners who bought only recently. This tends to balance out the white advantage, although Asian and

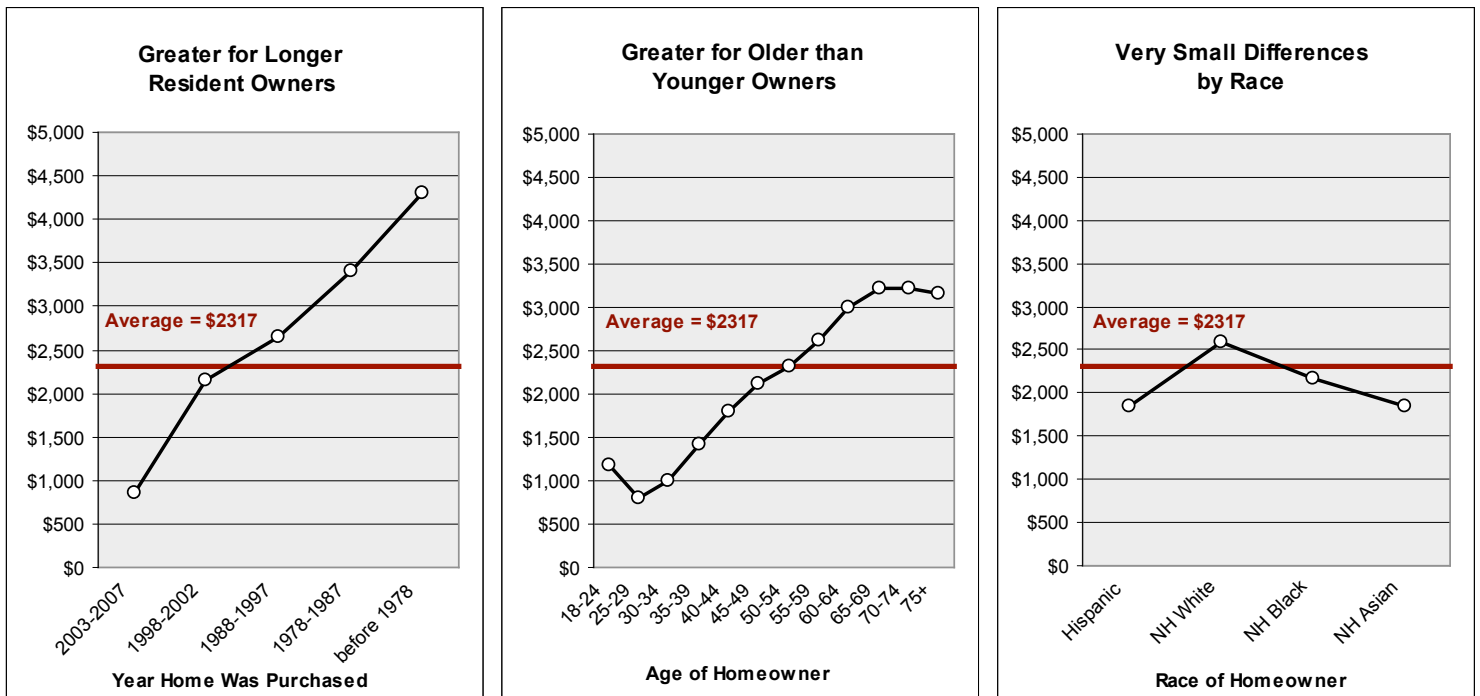
Latino home owners, on average, are less likely to be long settled and so they have lower tax savings. (The tax savings of African Americans lie between those groups and the white home owners.) The overall conclusion is that by far the greatest impact of Prop 13 is its creation of generational inequality.

Subsidies from Some Taxpayers to Others

Every home owner would appear to gain a tax savings from Prop 13, because all except new buyers in the current year are paying less than 1% of their house's estimated market value for property taxes. However, some groups are gaining a much smaller benefit than others. Where the tax savings come from—i.e., who pays for the benefit—is not apparent. Obviously, many would say that the tax savings comes from the government, because the home owner pays taxes to the government that are less than 1% of the market value. However, this benefit is granted originally, not by the government, but by the voters. In this political view, the tax savings come from the voters.

An alternate view suggests that the tax savings are granted through the distribution of taxes among the taxpayers. In this view, any group that is receiving more than the average benefit of tax savings is implicitly being supported by the groups that are paying higher taxes and receiving less than the average savings. In effect, the recipients of smaller

Exhibit 4. Tax Savings Relative to Market Value in 2007



Source: American Community Survey 2007

than average tax savings are paying higher taxes that subsidize the benefits enjoyed by groups with above average savings. These property tax subsidies are provided by fellow taxpayers who are also voters.

The size of these implicit subsidies is reflected by the distance each group falls above or below the mean in Exhibit 4. The below-average groups offset the excessive tax savings enjoyed by the above-average groups. Illustrating this more clearly, Exhibit 5 displays the winners and losers estimated in 2007. The greatest disparities are evident on the dimension of acquisition year, with buyers prior to 1978 receiving a surplus tax savings of \$1976 per home owner, while the group that bought since 2003 is contributing a subsidy to the others of \$1464. The reason that it appears that subsidy recipients outweigh the subsidy grantors is that these are the averages per household in each group, and there are more than twice as many recent buyers (2.1 million) as there are owner occupants prior to 1978 (0.96 million).

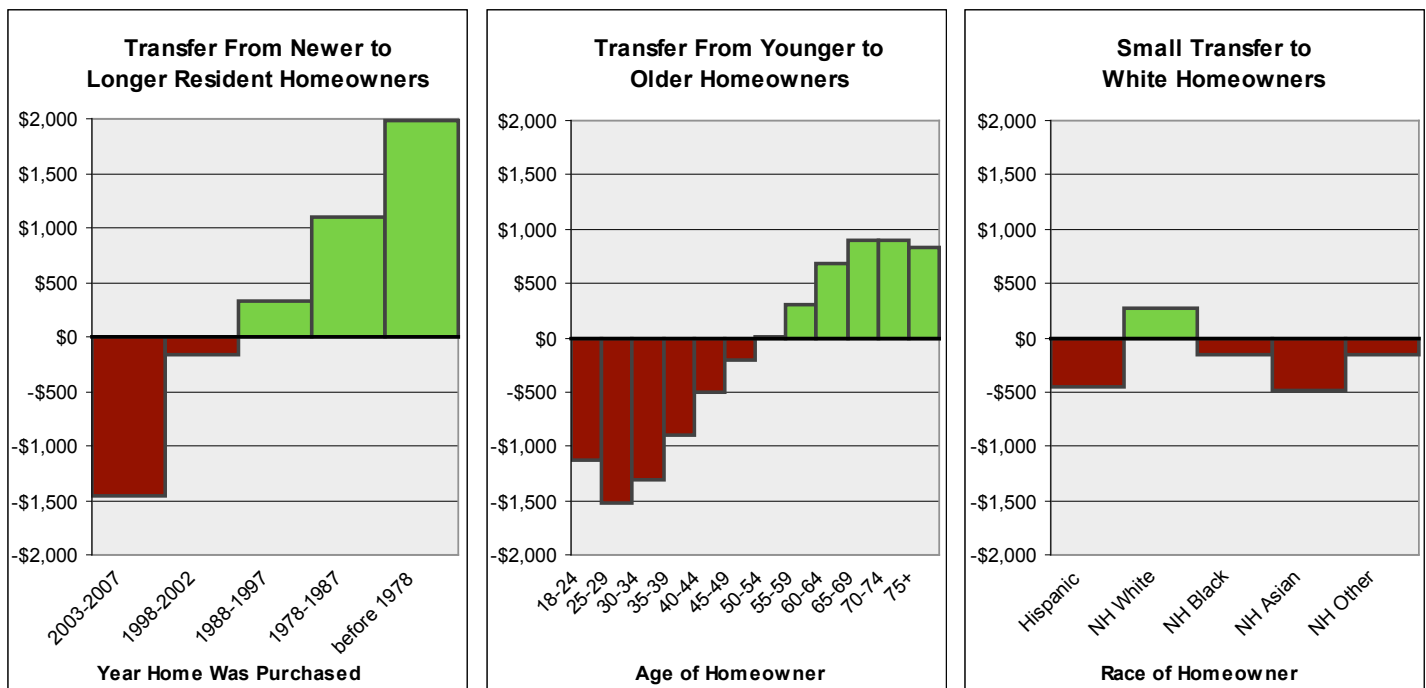
The length of occupancy roughly correlates to age of home owner, but the age disparities are not as stark. The surplus tax savings are \$896 among home owners ages 70 to 74, while home owners ages 25 to 29 each yield a subsidy to others of \$1521. Again, the number of contributors and beneficiaries is unequal, with many fewer home owners under age 35 (0.72

million) than over age 65 (1.71 million). When divided among their larger size group, the heavy subsidies contributed by the young appear smaller for each recipient who is older.

The race or Hispanic origin of home owners, surprisingly, yields the smallest disparities in tax savings or subsidies. The non-Hispanic white home owners as a group are older and longer resident, and so they are the net beneficiaries of implicit subsidies paid by the other groups. The largest per household subsidies are paid by Asian home owners (\$479), followed by Latinos (\$461). White home owners are the beneficiaries, receiving on average only \$277 per home owner. Once again, the much greater numbers of white home owners (4.25 million) than Latinos (1.54 million) or Asians (0.83 million) lead to a smaller subsidy per white home owner.

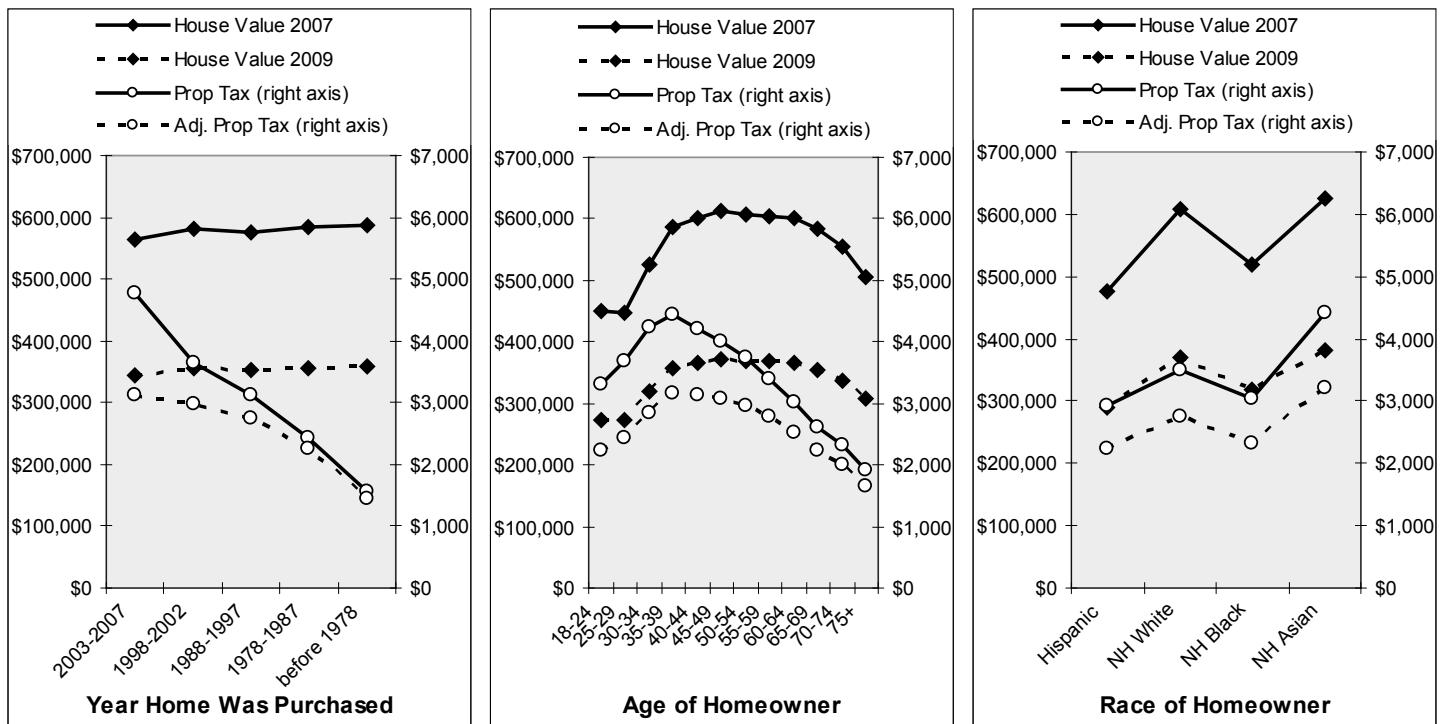
The more important reason why racial disparities are small is that the white home owners are divided by length of occupancy and age. This is easily seen in the case of white home owners, whose younger members pay an implicit subsidy of \$1496 (at age 25-29) and whose older members receive a subsidy of \$1017 (at age 65-69). The spread between the two white age groups amounts to \$2513, more than three times the spread between race-ethnic groups. Thus we find the generational disparities are by far the largest.

Exhibit 5. Implicit Property Tax Subsidies Among Homeowners



Source: American Community Survey 2007

Exhibit 6. Estimated Changes in House Values and Property Tax Payments, California, 2007 and 2009



Source: American Community Survey 2007 and calculations by author

After the Crash

The preceding describes the workings of Prop 13 through 2007, near the peak of the housing price boom before its crash. In 2008 the housing market, economy and fiscal system in California began a wrenching adjustment. Prices appear to be approaching a bottom in 2009, and tax assessments are being revised downward for this decline in value, but we will not have a clear picture of the post-crash regime until 2010. ACS data for that year will not be released for two years (fall 2011). In the meantime, we can gain important insights about the adjustments under way and the tax implications of the crash. Taking as a baseline the 2007 profiles of house values and tax payments by different demographic subgroups, we can apply key changes to house values and indicate the subsequent tax adjustments. These simulations provide a broad understanding of how the Prop 13 provisions are affecting the demographic distribution of property taxes in 2009.

The upward spike in house prices and subsequent downturn is truly dramatic, as shown previously in Exhibit 1. From 1997, when the median house price was \$169,879, to 2007, when the median reached \$531,789, prices soared 213%. Subsequently, by mid-2009, house prices have declined by 38.0% to

\$329,845, essentially rolling prices back to their level in mid-2003.⁷ It is this decline in average value that has caused county tax assessors to reassess property values for property owners who purchased their homes after July of 2003.⁸

Estimated 2009 House Values and Property Taxes
Every property deserves to be individually reviewed, but for this broad statistical analysis we will assign a proportional reduction in value according to the state-wide OFHEO price index. An expected house value in 2009 is generated by multiplying the reported 2007 value in the ACS data by a factor of 0.61. The former 2007 value and expected 2009 value are portrayed as solid and dashed lines with diamonds in Exhibit 6.

Property taxes may now exceed the provisions of Prop 13 for many home owners if the former 2007 taxes are continued in 2009. As a result of the decline in market value, the 2007 level of property taxes is now in excess of 1% of the expected 2009 market value for many subgroups of home owners. Accordingly, now that we have a lower expected market value, assessed values and property taxes will need to be lowered in many cases. This is especially notable in the case of buyers after 2003 and for young home owners, many of who bought in recent years. Earlier buyers have property assessments that are so much

lower than the present market value that their tax assessments are continuing to grow by 2% per year.

The former 2007 property tax and an adjusted 2009 tax⁹ are given in Exhibit 6 as lines with hollow circles (dashed for the adjusted figures). Substantial adjustments occur among home owners who purchased after 2003, among those under age 45, or in all racial subgroups (see Exhibit 6).

Revisions to Anticipated Property Tax Revenues

As a result of this substantial decline in market value there is a significant contraction in the flow of property tax revenue available to the state and local governments. A strength of Prop 13 is claimed to be that it smooths out the annual volatility of property tax revenue flow (Doerr 2009: 81). Because so many homes are assessed far below market value, the flow of property taxes tends to be impervious to fluctuations in value.¹⁰ The one major downward adjustment is with regard to recent buyers whose market value and assessed values had yet to greatly diverge. However, the recent sharp decline in market values poses a great threat. As discussed above, under the regime of Prop 13, it is the ever-higher payments by new buyers that are counted on to offset or subsidize the reduced payments by longtime owners. Now, however, the recent price crash leads to a loss of the revenue from exactly the group that the system depends on most.

What effects can be expected from the reassessed property tax payments? First, the decline in market value means that all home owners receive less of a tax savings than they did in 2007, recalling that tax savings equals the difference between 1% of full market value and actual tax payments. Second, the revisions to property tax assessments have greatest impact on recent buyers, thus flattening out some of the more stark disparities in the distribution of property tax payments. This underscores Sheffrin's (2009) point that recessions promote greater equality by reducing assessment disparities.

The effect on the demographic distribution of implicit subsidies is more complex. As a result of the first two effects, the mean tax savings is lowered and most home owners have tax savings that are closer to the mean, either from above or below. Thus, the third effect is that the subsidies contributed or received from the system are expected to be smaller in 2009 than they were in 2007. A final effect of the reassessment, of course, is that the total flow of property tax revenue is reduced, protecting property owners from higher effective tax rates, but thus making the state and local budget difficulties all the worse.

The Future Course of House Values

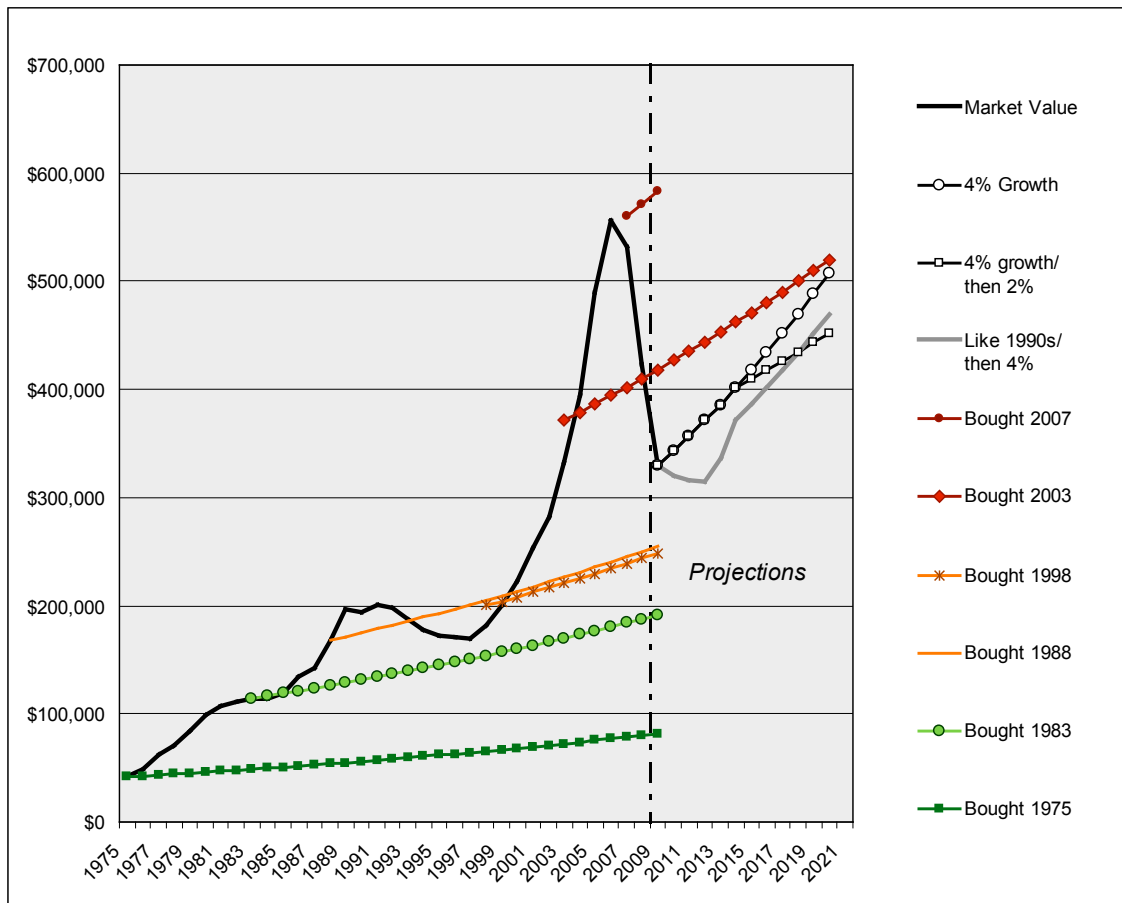
For the Prop 13-based property tax system to function again, it will be necessary for the prices of homes to rise substantially so that new cohorts of taxpayers can be recruited at high rates. In addition, existing home owners will not begin to enjoy substantial tax savings unless prices rise considerably higher than their assessed valuation. This is especially a challenge for all the home owners who bought their homes between 2003 and 2007. That group's assessed valuation was reduced only temporarily, and their assessed valuation will rise again with the market value until it reaches their Prop 13 trend line (acquisition price plus 2% per year).

The future course of house values is unknowable, but we sketch some possibilities here. There are no long-range projections for California house prices that have been published by any authority. Opinion among experts on "the street" suggests beliefs such as an expected seven-year recovery period, or a return to long-run averages (roughly 4%) that remove the 2000s boom as an aberration of financial factors not to be repeated, or that call attention to the slowing of demand (and presumably price increases) after 2015 when the giant baby boomer generation begins a sell-off of its housing assets. (Not considered is a pessimistic scenario that would have prices stagnant for many years.)

Possible scenarios for future price trends are depicted in Exhibit 7, comparing them to the Prop 13 trend line of maximum assessed value for buyers in 2003. That trend line grows 2% per year for every home owner, but for clarity it is displayed only for the 2003 acquisition year. All price series begin from an average price in 2009 of \$328,845. The most bullish scenario calls for an immediate rebound of 4% growth in prices per year, reaching \$507,781 in 2020 (total increase of 53.9%). In contrast, the slow recovery scenario is modeled as a repeat of the 1990s experience, with the trend from 2009 forward matched from 1994 to 1999. That is followed by 4% per year growth thereafter, reaching \$469,605 in 2020 (total increase of 42.4%). Finally, the baby boomer sell-off scenario is represented by 4% growth until 2015, followed by a slackening of demand and only 2% growth thereafter. This reaches a price of \$451,937 in 2020 (total increase of 37.0%).

Maximum tax assessments under Prop 13 increase at a steady 2% per year. Under all three scenarios of future market values, house prices will grow more rapidly than the maximum Prop 13 tax assessment (a total increase of 24.3%), but the market value trends

Exhibit 7. Future Market Value Trend and Maximum Tax Assessment



Source: California Association of Realtors and the Office of Federal Housing Enterprise Oversight and projections by author

start from a very depressed level, so that none of them recovers to the price level of the 2003 to 2008 acquisition years. That implies that the recent generation of home buyers will not receive the expected tax savings under Prop 13 until after 2020, if at all. The older generation of home owners will continue to have assessed values far below the market trend and their benefits will continue to be funded through higher tax payments by more recent buyers.

Puzzles in Public Perception

The general reasons that the public expresses such broad popular support for Prop 13 are summarized succinctly by Steven Sheffrin: "...the driving factors are certainty in taxation coupled with the knowledge that they will eventually step into their neighbors' shoes. As long as they remain in their residence they will not find their lives disrupted by changes in property taxation" (Sheffrin 2009:128). The "knowledge" regarding the neighbors' shoes is the belief

that continuously rising property values will begin to shift the burden of property taxes on to later buyers. As argued above, that knowledge is much less certain in the post-crash era. Past experience, highlighted below, suggests opinion will shift when people adjust to the new reality of fallen prices.

Why Such Constant Support Over Time, or Is It Constant?

One aspect of public opinion regarding Prop 13 is especially puzzling. There is a relative lack of any change in support for Prop 13 reported by the Field Poll between 1978 and 2008. Much has happened over the last three decades, and presumably much has been learned, but it is remarkable that the voters' opinions on Prop 13 remain virtually the same in 2008 as the expectations expressed in 1978 prior to passage and implementation of the proposition (Di-Camillo 2009). Over this time period, public opinion has shifted on many other major issues, including abortion, euthanasia, the death penalty, same sex marriage, and California as a good place to live.¹¹

How is it possible that support for Prop 13 has happened to be so constant?

A general explanation for this puzzle may be that the underlying conditions and reasons for support remained the same in 2008 as in 1978. The common denominator in California has been continued experience with extraordinary house price increases, as discussed above. However, we know that the rate of price increase has *not* been constant throughout the 30-year interval (Exhibit 1). From 1990 to 2000 prices declined or remained relatively flat. Shouldn't voters' fears about price inflation and rising taxes have moderated in this period?

In fact, public support for Prop 13 has not been constant every year since 1978. Available survey data suggests that support for Prop 13 was considerably lower in 1998 and that it strengthened following the great boom of rising prices during the 2000s. Support for the notion of tax protection from rising house prices sharply increased among home owners, growing much more than among renters (Exhibit 8). Support rose from 46.3% to 56.6% among voters who were home owners, but only from 25.1% to 28.1% among renters. What may be more intriguing is how the pattern of support strengthened among home owners of different political leanings, among liberals rising 14.4 percentage points (from 34.5% to 48.9%)

and 7.8 percentage points among conservatives (from 53.0% to 60.8%). The 2000s' boom in house prices surely raised anxieties among homeowners of all political persuasions. With the boom now ended, will voters' opinion on unequal property taxes return to its level of support in 1998?

Why Such Similar Support Between Old and New Home Buyers?

A second puzzle about public opinion concerns the surprisingly small differences in level of support for Prop 13 between recent and longtime home owners. Many other differences are not in the least surprising: support is more common among Republicans than Democrats, conservatives more than liberals, home owners more than renters, and the elderly more than others. However, there is a surprisingly small difference between old and new home owners in 2008 with regard to their support for Prop 13. The enormity of difference between benefits enjoyed by pre-1978 and post-2003 home buyers is not reflected very strongly in the public opinion data. As shown in Exhibit 9, the level of support for Prop 13 only varies from 79% to 54%, according to a Field Poll that asked whether registered voters would vote for Prop 13 if it were up for vote again today (DiCamillo 2009).

Why does the opinion of recent buyers not reflect their burden of paying unequal and much higher

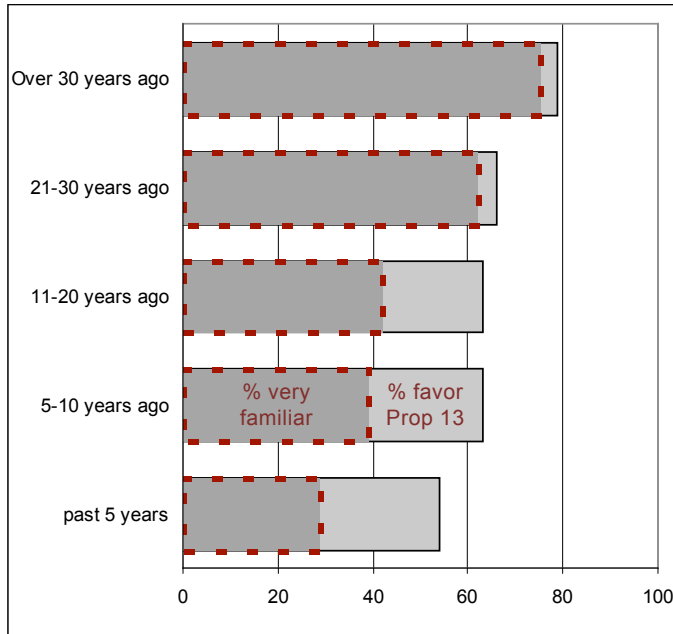
Exhibit 8. Favor Higher Taxes for Recent Buyers Because of Proposition 13, Comparison of 1998 and 2008

	1998 % Favor	2008 % Favor	10-Year Change in %	1998 N	2008 N
All	35.4	41.3	5.8	1,989	1,988
Likely Voters	40.1	48.3	8.2	1,462	1,380
Owner Voters	46.3	56.6	10.2	1,026	943
Liberal	34.5	48.9	14.3	275	266
Conservative	53.0	60.8	7.8	377	363
Renter Voters	25.1	28.1	3.1	419	402
Liberal	20.4	24.0	3.6	150	161
Conservative	31.0	23.6	-7.4	135	120

Question wording both years: As a result of Proposition 13 and increases in home prices in California, a homeowner who recently purchased a home will pay much higher property taxes than a homeowner who purchased a similar home several years ago in the same neighborhood. Do you favor or oppose this feature of Proposition 13?

Source: Statewide Poll of the Public Policy Institute of California, September 1998 and May 2008

Exhibit 9. Familiarity and Support for Proposition 13, by Acquisition Year



Source: DiCamillo 2009, tables 1 and 2

property taxes than longtime residents? Certainly these buyers have stretched to make their purchases at very high prices and they may feel they can ill afford any escalation of property taxes as part of their required monthly payments. This fear of future increases in house prices, based on the last few years, may be one part of the explanation for recent buyers' support for Prop 13's inequalities. However, a telling fact also highlighted in the Field Poll is that the more recent buyers and the younger generation also say they are much less familiar with Prop 13 than the longest resident home owners.¹² These two patterns of opinion structure are overlaid in Exhibit 4, suggesting that the weaker support for Prop 13 among the young may also be less solidly grounded than that of the senior citizens. The younger generation simply does not know enough about the likely effects on them of Prop 13.

Implications for Policy Directions

Proposition 13 is a complex bundle of provisions that are now embedded in the state's constitution. We have focused only on a limited set that pertain directly to home owners. The demographics of winners and losers among home owners in California calls attention to harsh intergenerational disparities, which

we interpret as evolving in the context of historical trends and assumptions about house values. The question of house values, in fact, is so central to the motivation and success of Prop 13 that it affords a strategic vantage point for improved understanding.

Several lessons can be gained from this study and related work that could provide useful insight about future policy directions. First, it is clear that many **Californians are not very familiar with Prop 13** and all its provisions. The taxpayers and voters deserve to know more. Either the State or private nonpartisan organizations should lead an education campaign to better inform the public. If taxpayers and voters are ill-informed, how can they participate in making wise policy?

A second direction for policy discussion is the realization of how much **Prop 13's origins and successful functioning depended on ever-rising house prices**. The extraordinary boom and economic collapse of the 2000s must call into question how valid is this assumption for the future. Perhaps the state's housing prices will recover to their former peak values in the next dozen years, but that is not likely and certainly cannot be assumed as a safe bet on which to build public policy. Meanwhile, a generation of homebuyers who purchased homes from 2003 to 2007—two million of California's 7 million home owner occupants—has seen their house values fall below their acquisition price and trended assessment. These buyers are thankful to be bailed out by a different proposition that provides for a decline-in-value reassessment, but that affords only temporary relief and their assessments will continue to adjust upward with rising market values until their original trended Prop 13 assessment is reached. Thus, for this large group of home owners, personal tax benefits from Prop 13 will remain elusive for many years. The cost to the other taxpayers, and to state and local governments, could be even greater, because the Prop 13 system depends on these recent buyers paying extra high taxes in order to offset the discounted taxes for the earlier generation of home buyers. The failure of ever-rising house prices is a severe blow to the Prop 13-based property tax system, which withstood the 15% decline in house values in the 1990s but has not weathered the 40% decline of the current decade.

A particular feature of key importance for garnering public support was Prop 13's **guarantee against sudden and unexpected spikes in property taxes**. The sudden bout of inflation in the 1970s, combined

with court orders for more automated assessment and the like, led to an acute period of tax hikes that home owners could fairly judge to be abusive. Protection against sudden, unexpected, and exorbitant property tax hikes is an important element to be embraced in state policy. That could be achieved in several ways, as Isaac Martin (2008) discusses in his historical analysis of both conservative and progressive proponents of the tax revolt of the 1970s. Even if it might seem unnecessary or redundant in light of the 2% cap on annual reassessment, additional means of protecting home owners, both young and old, deserves to be discussed nonetheless. Even if the tax system must be redesigned to accommodate the potentiality of an end to ever-rising house prices, new guarantees against a potential spike in property taxes should be an explicit part of that package.

The fourth area for policy discussion, sure to be controversial in some quarters, is **a necessary remedy to the gross discrepancy between discounted, low property taxes and high property appreciation**, as has occurred among longtime home owners in California. How is it possible, many will ask, that these longtime home owners pay taxes below the national average and yet hold housing wealth that is so much greater? The contrast is all the worse when we compare the younger generation of California that struggles to buy homes at such high prices and yet is also saddled with extra high taxes needed to offset the longtimers' discounts. In the past, it was a good idea for public policy to protect home owners from being driven from their homes by excessive property taxes. It is a completely different matter when those same home owners now reap a windfall from the tremendous property appreciation that they were being protected from by public policy. As a rational and moral position, public policy with regard to home owners' risk needs to be balanced on the upside as well as the downside. At time of eventual sale, foregone taxes whose discount "protected" the home owner might then be recovered from the appreciated assets that are in excess of the Prop 13 trended assessment.

A further direction for policy discussion is more general and fundamental. What should be the stance of public policy and the obligations of current voters and taxpayers to the next generation? Should all benefits be maximized for current beneficiaries or **should policy also be future regarding**? The greatest challenge in a democracy like ours is that the current voters and political leaders live in the present and maximize self-interest in the present, and yet

they make decisions that impose costs on the future and either create or remove opportunities for the future. For lack of any oversight about future impacts, California policy is riddled with damaging commitments made in the past but with future consequences for which we must now pay. The problem is so widespread because it is a structural problem of present vs. future. A solution is to institute a review process for every policy proposal or voter initiative that would disclose and evaluate probable future impacts.

In the 1978 case of Prop 13, voters sought protection from short-term projections of property tax increases. In choosing to vote for the Prop 13 initiative, they locked in a set of other, very long-term impacts. Given the trends of the day, voters likely assumed house prices would be ever rising, but they may not have projected out the generational disparities that would ensue as successive waves of home owners, including their own children and grandchildren, bought in at ever higher tax assessments. And little attention was given to the exact tax rate that would be best to maintain a desired level of service. Certainly the preference was not for the 2.6% current at that time, but should it be 1.0% or 1.5%? No matter, all that was locked in for the future, and the right of future voters to make corrections to the policy after its effects were known was buried under a two-thirds majority requirement. **One could only hope that the voters guessed well in their briefly considered plan for California's long-run future.** They certainly did not have as much analysis about the future as they needed. We are still in that state of deficiency today.

We now know far more about the 21st century than we did in 1978. In that earlier time, the great majority of California adults were transplants who had been born in other states or countries. Population growth was fueled primarily by migration of these newcomers, and a movement toward suburban growth controls was attempting to hold back the tide in Petaluma and other parts of California. It may have made sense to voters in 1978 that these newcomers should be taxed more heavily if they wanted to join the Golden State. Today our population is no longer comprised largely of such out of state or international migrants. For the first time the majority of California residents are homegrown, native sons and daughters of our state (Myers et al. 2009). Migration has subsided dramatically ever since the 1990s recession and **population growth now consists largely of our own children.** We also know today that the giant baby boom generation

will no longer be driving up the demand for housing but is poised to begin selling off their large family homes. By 2020, half of this giant generation will have crossed age 65, with the oldest pressing 75. The market for these homes will be dominated by grown children, mostly California-educated, who may not be able to pay the escalating prices hoped for by sellers. The threat of this “generational housing bubble” is demographically real, and worse in other states than California, but we can reduce the risk to future home sellers by better cultivating the next generation of home buyers among the state’s children (Myers and Ryu 2008).

Conclusions

The economic crisis of 2008 has produced an unprecedented crash in house prices as well as a protracted budgetary impasse. Proposition 13 is an integral element because it depends on rising house prices for its benefits to flow to home owners and also for the property tax system to remain solvent. The portrait of the demographics of Prop 13 offered in this report highlights the great advantages accrued to the earlier generation of longtime home owners. Our analysis also underscores the crucial role of the newer generation of home buyers, without whose contributions of extra high taxes the low payments by others cannot be sustained.

The new trend in house prices is outside the 30-year experience of Prop 13. The new outlook challenges the fundamental motivations for supporting Prop 13. Providing certainty against unexpected spikes in property taxes surely remains a desired goal among the voters. However, it is unclear whether support will continue for such unequal tax rates between the generations. Different groups are at risk today than was true in 1978 and, indeed, the generational fortunes have been reversed. In the post-crash era, there are many things that need to be rethought.

Acknowledgments

This research is part of a larger project on the evolving public understanding of interdependency and common interests in California, for which the support of the John Randolph and Dora Haynes Foundation is gratefully acknowledged. Expert research assistance was provided by SeongHee Min, Sarah Mawhorter, and Janna Goldberg. A number of scholars provided useful review and guidance on the report, including Richard Green, Steve Levy, Isaac Martin, Dan Mazmanian, Juliet Musso, and Ricardo Ramirez. All findings and conclusions in the report are solely the responsibility of the author.

About the American Community Survey

The American Community Survey (ACS) publishes social, housing, and economic characteristics for demographic groups and geographic areas that cover much of the content from the 2000 decennial census and will replace this content in the 2010 census. The great advantage of the ACS is that it is conducted continuously year-round and released annually, unlike the decennial census that collects and releases data only once a decade for April 1 in the census year. The ACS draws on a list of about 3 million addresses (1.17 million households surveyed in 2007) and every year the ACS can support the release of single-year estimates for geographic areas with populations of 65,000 or more. For smaller geographic areas including census tracts and block groups, the ACS will accumulate a sample over 3-year and 5-year intervals to produce estimates that are reported as averages for the time periods. Because data are drawn from a sample, the resulting estimates are accompanied by sampling error and all estimates have a reported confidence interval. Large areas like the state of California have such large samples that the sampling error is minimal. In 2007, a total of 80,617 home owners were surveyed in California (representing the population of 7 million home owners). By contrast, most opinion surveys collect data from only 1000 to 2000 adult respondents. ACS data for each year are posted on the Census Bureau web site for downloading: www.census.gov/acs/www/Products/. For further details about this rich data source, see Census Bureau, *2006 Data Users Handbook: The American Community Survey*, www.census.gov/acs/www/Downloads/Handbook2006.

Endnotes

¹ The fearful situation confronting home owners is well described in Sears and Citrin (1982: 22): “The average rate of growth in assessment was reaching 28.9 percent per year in San Bernardino County and 30.1 percent per year in Orange County for the 1973-1977 period....Moreover, because of the two-to-three-year reassessment cycle, many people experienced this increase in one painful bite. And those yet to be reassessed waited in fear and trembling for the blow to strike them.”

² California Association of Realtors

³ Information retrieved August 5, 2009 from the website of the Los Angeles County Office of the Assessor: <http://assessor.lacounty.gov/extranet/list/newsList.aspx?newsid=78>

⁴ “Betty T. Yee: Total Statewide Property Values Decline: First decline in statewide total since BOE began keeping records in 1933,” State Board of Equalization, accessed August 26, 2009, <http://www.boe.ca.gov/news/2009/73-09-Y.pdf>.

⁵ Census Bureau, “Table 1. State and Local Government Finances by Level of Government and by State: 2005-06,” <http://www.census.gov/govs/www/estimate06.html>, accessed July 30, 2009.

⁶ For example, Kiel and Zabel (1999) find that home owners tend to overestimate their house values by 5.1% compared to sales price but that this is uncorrelated with characteristics of the house or the occupants, save the fact that recent buyers tend to be more over optimistic than others. They conclude: “Thus, the use of owners’ valuations will result in accurate estimates of house price indexes....” (p. 263).

⁷ Measurement of price trends is difficult because so many homes in the last year have been bank owned properties offered at fire sale prices and because higher priced homes have been held off the market. The compositional bias of homes offered for sale has depressed median prices downward. Accordingly, for the period from 2000 to the present we estimate price

trends according to a constant quality price index produced by the federal Office of Housing Enterprise Oversight (OFHEO) for California and each of the other states.

⁸ See note 3 on the temporary decline-in-value reassessments in Los Angeles County.

⁹ Adjusted taxes for 2009 are computed according to the following decision rule: If the reported 2007 tax, raised two years at a 2% per year compounded rate, is greater than 1% of the expected house value in 2009, then the 2009 tax is limited to 1% of expected house value in 2009; Else the 2009 tax is equal to the reported tax in 2007 raised at a 2% per year compounded rate.

¹⁰ Of course, others claim that “...despite Proposition 13’s reduction in volatility of California’s property tax revenues, this effect is dwarfed by the greater volatility that has resulted from shifting California’s tax base away from property taxation and toward income taxation” (Gamage 2009: 54).

¹¹ As reported by the Field Poll, between 1978 and 2008 favorable views of Prop 13 among Democrats shifted only from 49% to 48%, while among Republicans they rose slightly from 70% to 72%. By contrast, support for abortion increased by 5 percentage points among Republicans and by 30 points among Democrats. Support for same sex marriage fell by 7 percentage points among Republicans and rose by 35 points among Democrats. And belief that California is one of the best places to live fell by 50 points among Republicans and fell by 28 points among Democrats. In contrast, the slight shift in support for Prop 13 seems miniscule (Field Research Corporation 2009: Tables 9 and 11).

¹² Indeed, unpublished tabulations graciously supplied by Mark DiCamillo show that in 2008 fully 37% of voters ages 30-39 and 40% ages 18-29 expressed no opinion about favoring or opposing Prop 13 if it were to be put to a vote again. In contrast, less than 10% of voters age 50 and older expressed no opinion (and the great majority favored it).

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Appendix. Average Property Tax by Year Acquired, House Values

2003-2007			
	Weighted N	House Value	Prop. Tax
1 New Jersey	560,102	430,119	6,264
2 California	2,102,963	564,009	4,787
3 Connecticut	245,470	385,041	4,746
4 New Hampshire	102,698	299,763	4,593
5 New York	906,680	380,109	4,335
6 Illinois	1,030,423	280,597	4,105
7 Rhode Island	63,675	361,803	3,914
8 Massachusetts	405,320	423,263	3,702
9 Texas	1,800,067	185,696	3,525
10 Wisconsin	444,617	218,904	3,321
11 Vermont	45,761	233,910	3,281
12 Florida	1,769,658	307,131	3,174
13 Maryland	439,201	412,035	3,021
14 Pennsylvania	821,455	225,721	2,867
15 Alaska	49,847	274,828	2,840
16 Michigan	738,133	196,992	2,800
17 Nebraska	135,842	164,688	2,797
18 Washington	578,551	358,491	2,731
19 Virginia	631,840	376,560	2,684
20 Ohio	845,419	185,173	2,396
21 Oregon	333,528	323,843	2,374
22 Nevada	254,155	382,126	2,220
23 Minnesota	462,639	262,253	2,218
24 Maine	97,086	216,995	2,193
25 North Dakota	46,043	133,100	2,034
26 Georgia	766,472	241,805	2,013
27 Kansas	243,388	166,817	2,008
28 South Dakota	69,310	153,345	1,899
29 Iowa	265,470	159,213	1,885
30 Colorado	447,690	296,658	1,711
31 Indiana	516,929	165,211	1,702
32 Montana	81,539	229,576	1,692
33 Hawaii	67,498	600,820	1,684
34 North Carolina	726,144	224,774	1,622
35 Missouri	508,209	187,096	1,596
36 Idaho	148,382	242,746	1,580
37 Arizona	617,097	318,613	1,521
38 Utah	221,053	286,946	1,466
39 South Carolina	364,451	224,241	1,389
40 Tennessee	516,793	192,550	1,366
41 Kentucky	333,065	163,911	1,269
42 New Mexico	155,279	228,404	1,265
43 Delaware	72,575	303,469	1,252
44 Oklahoma	294,453	150,083	1,246
45 Wyoming	47,280	212,717	1,054
46 Mississippi	202,608	156,514	917
47 Arkansas	224,979	152,832	863
48 Louisiana	302,194	181,588	847
49 Alabama	377,654	181,491	719
50 West Virginia	120,371	144,421	716
District of Columbia	35,142	554,700	3,229
U.S	22,637,198	289,546	2,848

1998-2002			
	Weighted N	House Value	Prop. Tax
1 New Jersey	456,103	429,904	6,526
2 Connecticut	195,799	401,942	5,043
3 New Hampshire	82,001	313,323	4,780
4 New York	743,101	389,479	4,573
5 Illinois	680,988	276,700	4,031
6 Massachusetts	302,884	436,960	3,893
7 Rhode Island	49,955	351,501	3,822
8 California	1,563,242	581,697	3,659
9 Vermont	35,741	241,477	3,440
10 Wisconsin	328,983	220,235	3,395
11 Texas	1,212,013	169,928	3,132
12 Maryland	309,451	425,523	2,916
13 Pennsylvania	635,535	228,201	2,916
14 Washington	338,668	360,102	2,768
15 Michigan	627,004	201,691	2,766
16 Nebraska	93,407	154,259	2,635
17 Alaska	30,647	263,590	2,622
18 Virginia	429,021	366,641	2,617
19 Florida	1,208,542	309,405	2,554
20 Ohio	630,034	183,501	2,420
21 Minnesota	323,209	274,409	2,406
22 Oregon	206,588	316,744	2,377
23 Maine	87,037	236,587	2,297
24 North Dakota	34,121	141,849	2,271
25 Nevada	153,919	369,013	2,060
26 Kansas	153,082	156,986	1,940
27 Iowa	171,655	154,361	1,883
28 Georgia	536,643	227,850	1,838
29 South Dakota	40,292	149,224	1,836
30 Colorado	307,972	309,886	1,729
31 Idaho	83,235	254,033	1,655
32 Indiana	368,796	161,571	1,647
33 Montana	48,985	240,866	1,614
34 Hawaii	40,362	588,846	1,592
35 Missouri	346,857	182,199	1,590
36 Utah	118,256	280,446	1,529
37 Arizona	371,326	315,199	1,518
38 North Carolina	519,117	207,752	1,512
39 Tennessee	348,832	183,621	1,302
40 Wyoming	27,831	247,761	1,222
41 South Carolina	244,383	193,806	1,165
42 Kentucky	240,506	152,761	1,103
43 Delaware	51,617	274,483	1,099
44 New Mexico	102,751	200,517	1,085
45 Oklahoma	195,706	138,602	1,066
46 Mississippi	146,401	143,722	839
47 Arkansas	156,851	140,076	757
48 Louisiana	208,820	165,032	686
49 West Virginia	98,697	139,028	673
50 Alabama	255,221	165,690	603
District of Columbia	18,068	596,101	2,933
U.S	15,960,255	289,996	2,709

1988-1997			
	Weighted N	House Value	Prop. Tax
1 New Jersey	482,803	431,928	6,577
2 Connecticut	193,360	406,623	5,086
3 New Hampshire	85,072	302,360	4,749
4 New York	921,203	386,009	4,558
5 Massachusetts	366,010	440,379	3,955
6 Rhode Island	55,613	361,260	3,934
7 Illinois	771,511	267,427	3,802
8 Vermont	44,507	260,342	3,796
9 Wisconsin	369,984	208,518	3,230
10 California	1,609,066	577,062	3,130
11 Washington	388,714	365,065	2,832
12 Maryland	324,044	403,404	2,823
13 Pennsylvania	788,579	209,693	2,661
14 Texas	1,155,608	150,454	2,588
15 Alaska	37,270	249,891	2,456
16 Michigan	687,982	198,972	2,414
17 Oregon	217,048	323,657	2,365
18 Virginia	448,223	332,960	2,351
19 Nebraska	103,317	143,356	2,342
20 Ohio	715,042	171,114	2,313
21 Minnesota	377,235	258,986	2,261
22 Maine	92,762	223,936	2,137
23 Florida	1,176,306	290,598	2,064
24 Nevada	115,270	333,919	1,800
25 Kansas	176,410	150,333	1,789
26 North Dakota	44,984	126,576	1,777
27 Iowa	205,088	138,318	1,702
28 Montana	65,675	239,460	1,685
29 Colorado	283,607	308,744	1,667
30 South Dakota	48,553	132,409	1,599
31 Indiana	399,248	153,712	1,580
32 Georgia	534,568	207,763	1,553
33 Missouri	374,101	171,185	1,515
34 Hawaii	57,562	565,070	1,473
35 Arizona	324,463	290,987	1,436
36 Idaho	89,667	230,971	1,422
37 Utah	126,314	268,634	1,413
38 North Carolina	541,383	185,357	1,326
39 Delaware	52,507	312,291	1,241
40 Tennessee	384,641	170,141	1,203
41 Wyoming	30,708	233,870	1,186
42 South Carolina	267,174	180,442	1,047
43 Kentucky	275,618	146,193	1,016
44 New Mexico	124,311	188,959	965
45 Oklahoma	219,447	126,031	862
46 Arkansas	176,804	131,565	685
47 Mississippi	188,193	117,176	619
48 West Virginia	129,312	135,250	597
49 Alabama	285,273	153,480	544
50 Louisiana	240,806	152,238	509
District of Columbia	21,048	545,217	2,482
U.S	17,193,994	276,779	2,492

and Number of Homeowners in 2007, by State

1978-1987				before 1978			
	Weighted N	House Value	Prop. Tax		Weighted N	House Value	Prop. Tax
1 New Jersey	277,691	412,642	6,427	1 New Jersey	343,688	387,234	6,155
2 Connecticut	121,088	382,452	4,935	2 Connecticut	169,155	351,785	4,495
3 New York	581,802	382,249	4,459	3 New Hampshire	50,138	273,424	4,097
4 New Hampshire	50,255	275,384	4,331	4 New York	791,159	359,950	4,049
5 Massachusetts	215,910	435,221	3,884	5 Massachusetts	311,591	384,682	3,522
6 Rhode Island	37,156	356,375	3,726	6 Vermont	29,860	221,787	3,308
7 Vermont	27,888	244,034	3,577	7 Rhode Island	49,467	316,455	3,274
8 Illinois	369,169	251,357	3,426	8 Wisconsin	250,638	176,667	2,801
9 Wisconsin	184,798	194,162	2,954	9 Illinois	486,405	213,536	2,659
10 Washington	173,393	354,962	2,779	10 Washington	172,635	342,976	2,557
11 Maryland	177,731	404,071	2,722	11 Maryland	200,414	328,160	2,288
12 Pennsylvania	478,526	192,261	2,495	12 Pennsylvania	758,908	157,542	2,084
13 California	835,868	584,501	2,433	13 Oregon	95,567	296,740	2,037
14 Alaska	22,922	275,841	2,353	14 Nebraska	80,022	127,981	2,009
15 Virginia	241,025	329,325	2,335	15 Michigan	471,107	153,899	1,931
16 Oregon	94,472	303,176	2,134	16 Alaska	8,573	241,386	1,911
17 Michigan	356,240	178,931	2,124	17 Maine	66,139	186,970	1,899
18 Minnesota	188,827	247,474	2,114	18 Minnesota	207,143	210,936	1,884
19 Nebraska	63,125	128,116	2,062	19 Ohio	568,875	134,481	1,771
20 Ohio	385,606	153,155	2,052	20 Virginia	285,054	251,141	1,729
21 Maine	59,575	223,198	2,033	21 Florida	351,627	250,367	1,618
22 Texas	576,358	132,003	2,009	22 Hawaii	57,684	591,908	1,594
23 Florida	508,810	267,653	1,806	23 California	957,550	586,409	1,571
24 South Dakota	27,829	146,516	1,707	24 Iowa	154,962	125,762	1,515
25 Iowa	101,223	132,662	1,570	25 Montana	33,979	202,435	1,496
26 Kansas	88,348	129,391	1,536	26 South Dakota	28,552	122,827	1,480
27 Hawaii	39,074	577,955	1,454	27 Kansas	102,487	117,293	1,401
28 Colorado	121,912	277,255	1,444	28 Texas	638,541	112,813	1,360
29 Nevada	30,613	290,571	1,437	29 North Dakota	29,187	103,732	1,344
30 Indiana	199,409	140,537	1,401	30 Colorado	117,562	249,819	1,325
31 North Dakota	24,037	110,035	1,355	31 Missouri	219,254	143,432	1,281
32 Missouri	184,212	158,043	1,349	32 Idaho	39,806	213,388	1,246
33 Utah	63,804	246,677	1,345	33 Utah	69,918	217,888	1,219
34 Montana	29,569	203,986	1,335	34 Nevada	21,441	283,063	1,194
35 Arizona	126,226	262,667	1,313	35 Indiana	269,758	122,798	1,164
36 Georgia	243,613	190,099	1,239	36 Wyoming	16,223	213,215	1,114
37 Idaho	42,151	217,872	1,184	37 Arizona	97,433	213,770	1,094
38 Delaware	25,382	273,075	1,171	38 North Carolina	362,413	146,783	1,046
39 North Carolina	270,201	166,377	1,168	39 Tennessee	243,634	139,936	973
40 Tennessee	189,815	156,772	1,104	40 Delaware	35,574	269,662	969
41 Wyoming	19,711	189,838	975	41 Georgia	261,633	157,061	952
42 South Carolina	135,686	152,635	874	42 New Mexico	69,065	172,378	823
43 Kentucky	138,624	126,737	815	43 South Carolina	182,191	143,282	728
44 Oklahoma	115,410	122,107	799	44 Kentucky	181,806	117,814	711
45 New Mexico	59,943	174,626	778	45 Oklahoma	129,761	110,455	640
46 Arkansas	87,942	126,205	631	46 Arkansas	97,729	113,669	550
47 Mississippi	101,873	115,798	551	47 West Virginia	115,799	116,288	463
48 West Virginia	81,125	117,059	519	48 Mississippi	133,503	107,600	430
49 Alabama	150,549	128,997	436	49 Alabama	221,153	126,849	376
50 Louisiana	137,825	150,355	401	50 Louisiana	193,291	135,861	296
District of Columbia	13,160	558,548	2,729	District of Columbia	23,769	464,091	1,821
U.S	8,877,501	266,269	2,303	U.S	10,853,823	240,277	1,994



for more information...

Copies of all project reports are downloadable from the website of the Population Dynamics Research Group, School of Policy, Planning, and Development.

<http://www.usc.edu/schools/sppd/research/popdynamics>

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