

Let's Change the Property Tax

by Floyd Morrow

The property tax actually is two separate and distinct taxes. One is on the value of locations (land), and the other is on buildings and personal property.

The most fundamental fallacy prevalent in our popular discussions on property is in the use of the term "property" itself. Property has had different meanings throughout man's history. A little over a hundred years ago the term "property" included men, and they were owned as property, taxed as property, traded as property, and used as collateral for loans.

What we should do in any discussion of taxes is to define what property is being taxed, and what the effect is of taxing that kind of property. I consider my wages my property and they are heavily taxed. I consider my home my property and it is taxed considerably high. Looking at the so-called "property tax" that is applied to my home and the land underneath my home, I find that about 75% of the tax is on the home itself.

LAND IS A VITAL FORCE

Throughout man's history, land has been a vital force. On it he built his home; in it he planted seed for food. It gave him life-sustaining water. As years passed, man learned to mine the land for mineral. From these valuable materials he made more efficient tools and thereby gained greater productivity and wealth. Often, when man staked out his land, he had to fight to retain it. Land has been the cause of numerous wars as man's numbers and ambitions increased. When land was abused or neglected, man suffered; when land flourished, man flourished.

The most basic step that I would take in the interest of tax equity is to change the structure of the local property tax.

WHAT GIVES LAND ITS VALUE?

It is my contention that the owners of "property" called land are the largest single beneficiaries of our tax system, in that without tax built roads, land has no ingress or egress, and therefore no value. Without water and sewer systems, which are financed by consumers, the land is unusable and therefore of little value. And lastly, without the amenities, fire protection, police protection, libraries, parks --- all the other services and conveniences of society which make

(continued on page 23)



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An Editorial Favoring Proposition 1

Let's Draw a Line!

6924

by John Nagy

Last year when the voters of California were given the opportunity to vote for limiting property taxes via the Watson Amendment, Statewide Homeowners Association took a strong editorial position against it. We were against that measure because we knew that while it limited property taxes, it opened the valve gates to taxation at the State level. We wanted less taxation, not a shift of taxation for the homeowners of California.

IN AGREEMENT

We were in agreement with cities, counties, schools and special districts that their major source of revenue, the property tax, should be preserved and strengthened to insure their existence in a healthy manner. In fact, we want to preserve the property tax over all other taxes because it is locally imposed, locally collected and locally controlled.

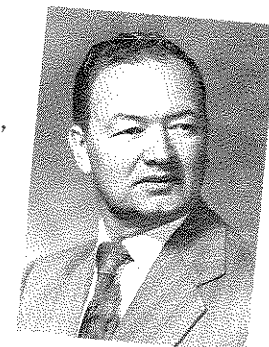
We have observed over the years that local politicians are very cautious about increasing

property taxes. On the other hand, they seem to go hog wild looking for ways to spend State and federally collected funds, as if those funds are "free" and local people do not pay those taxes. You see, it takes guts and leadership to face constituents and tell them you are going to increase their taxes if you are going to increase your budget. It's so simple to tell the Governor and the President to increase taxes at their levels and hand it down to them in the form of State and Federal grants. We get sick and tired of hearing local officials boasting of the "free grants" they have secured for you.

HOME OWNERSHIP

We know that home ownership would not be worth a hoot without good schools, good fire protection, good law enforcement and all the other services which make having a home worthwhile. Therefore, we want all the services that any good community could want. Furthermore, we have always paid for those services in the past and are willing to pay for them in the future. But, we also want to have some control

John Nagy,
Editor



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(continued from back cover)

a particular piece of land desirable---there is no value in the land. Yet, when most of our dollars are being spent on creating values in land, relatively very few tax dollars are collected from land owners.

LAND PAYS VERY LITTLE TAXES

In 1972 the City of San Diego collected \$32,344,754 in total property taxes. This was only 18.6% of its budget of \$173,696,835. Of the \$32 million in property taxes, only \$14 million, or 8.1%, was collected from a tax on land, and this low taxation of land rewards land speculators who can easily afford to keep the property out of the hands of developers.

Of the 227,000 occupied dwelling units in the City of San Diego (as described in the 1970 Federal Census) 112,000 of them are rented, leaving 115,000 owner-occupied. However, these 227,000 residents paid a total of \$22,700,000 of the total \$32,344,754 property tax bill collected by the City of San Diego.

In the TIME magazine of May 3, 1971, Professor Dick Netzer, a tax expert and Dean of the Graduate School of Public Administration at New York University, stated, "Land values rise mostly because of other people's investments, community development, and population growth, not because of action by individual owners. The community as a whole creates the unearned increments of value and it has every right to recapture them by taxation."

The low taxation on land creates most, if not all, the problems associated with poor land use. Housing consultant Perry Prentiss stated, "Today's property tax harnesses the profit motive backward instead of forward. There is not a city in this country that is not making its growth, urban renewal, and redevelopment problems worse by the way it misapplies the property tax, to penalize improvements and subsidize the misuse of land."

As Andrew Carnegie once said, "90% of all millionaires became so through owning real estate. More money has been made in real estate

than in all industrial investments." More appropriately, as Marshall Field said, "Buying real estate is not only the best way, the quickest way and the safest way, but the only way to become wealthy."

The lack of a coherent tax policy forces urban growth to take the form of suburban sprawl, much of which has forced subdivision developers farther and farther out of town to find land, while bypassing the idle acreage that is close in town which is not available to them due to land speculators.

TAXES ON IMPROVEMENTS ARE HIGH

At the very same time, improvements are taxed so high that it discourages new building and the replacement of aging structures. The improvements themselves lead to higher assessments. Landlords too often find it more profitable to let rental housing deteriorate, rather than modernize it.

One only has to look at such publications as "How to Make Slums and Create Barbarians", reprinted in the American Institute for Economic Research in April 1972, to gain some insight into the problem.

THOSE WHO BENEFIT SHOULD PAY THEIR SHARE

It is my conclusion that the most fundamental basis for taxation is that those who benefit should pay. Since the land owners are by far the largest beneficiaries of public expenditure, and when one considers that there are a few rather large land owners (for example, Southern Pacific Land Company owns almost as much land as all residential land in California combined) it becomes abundantly clear that a tax on land is much more equitable than taxing improvements and the products of labor and capital.

It seems to me that unless we change the structure of the local property tax through the process of education, understanding and legislation, developers, homebuilders and the construction industry as a whole will be forced to their knees by land speculators and government. **END**

those mountains are shaped just right. That the wind blows against the west side of them all day long. The salt particles go up with them. At night the salt particles get cold and draw the moisture to them, form the rain clouds, which furnish the water to the Hawaiian Islands. If you removed the mountains in Hawaii, it would be a desert island.

What Department of Government would be concerned with this, the Army Corps of Engineers?

It has been presented to them through President Nixon. They have stated in so many words, that they are not going to do anything, regardless of how many people are being killed in floods. This would concern 2 departments: the Department of Interior, and the Army Corps of Engineers.

At this point, you haven't had any success with your Government contacts?

No. I went to the County Board of Supervisors to try to get one here to benefit this county on smog, so we would have a clean county with no smog, to the State, to Van Deerlin, Bob Wilson, Senator Cranston and President Nixon.

What response did you get from Van, Wilson and Cranston?

Cranston won't even answer. Bob Wilson said it wasn't the plans of the Harbor Commission of San Diego, and Van Deerlin said it was a huge project, and it would be up to the Army Corps of Engineers. He sent the letter from the Army Corps of Engineers back to me.

Do you know of any Congressman or U.S. Senator anywhere in the country that would be concerned? Have you contacted, for example, the Congressmen in the areas where the big floods have been, or where they continually have floods, hurricanes, cyclones and such?

No, I haven't been in contact with them. I thought after you publish this in your magazine, I would send them each a copy of your magazine.

Have you talked to Ecologists about it?

No, they won't talk.

You say Ecologists won't talk. Have you written to the Sierra Club?

No, because I knew they wouldn't let you change any mountain anywhere. They'd raise the dickens. I wrote to Barry Goldwater about it and showed him where for every tree we'd destroy in this movement, we'd grow a million in its place.

I think you should write to the Sierra Club. I don't think that in writing to Barry Goldwater, you gave the Ecologists a chance.

I thought that he was high enough up in the movement, but he wouldn't even answer my letter.

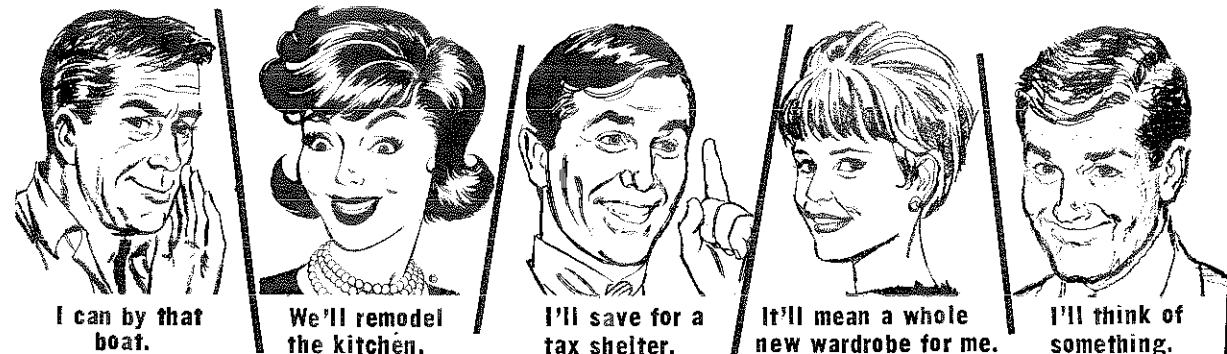
If they say they are against it, show them where they are wrong. Don't just give up. Maybe you could promote just one cut from San Diego. I'd like to have the clean air here.

I'd like it too. I'd love to walk out there and always see the mountains. Only I want them to look different. I want them to have timber growing on them instead of desert mountains as you see from San Diego and Imperial County.

You take the morning traffic here, blowing out there with the moisture going up with it, and it would still be hot on the desert, sucking out the exhaust smog from the cars in the evening. The smog along with the moisture right here in San Diego would cause a real nice rain in the mountains east of here and in the desert.

NO LIMIT TO BENEFITS

Kenton says there are no limits to the benefits those cuts through the mountains could produce. The more I think about his ideas, the more I like them. When I think of all the billions spent on useless programs, it makes me want to cry. END



What will you do with the extra money left in your paycheck because of Proposition 1?

over what services we pay for.

PROPOSITION 1

We agree with the proponents of Proposition 1 that it will not reduce by even a single dollar any State or local budget, nor will it reduce the present level of services. Plus, it will allow increases of the State budget as the cost-of-living rises by whatever increases there may be in the economic growth rate of the State.

SCHOOLS NOT SUBJECT TO RATE LIMIT

At the local level, while freezing rates for cities, counties and special districts, it makes no change in the present rate limitations on schools. In other words, it doesn't freeze school tax rates into the Constitution, clearly showing that education is being given special treatment by Proposition 1.

Are you wondering why we support Proposition 1 if schools are not held to rate limits by it? Simply because we want the best education possible for our children at the least possible cost. You see, while school boards go wild with State and federal grants, they are very prudent with property taxes. After all, there's always another election coming up.

SCARE TACTICS

Those opposing Proposition 1 would have the voters believe that the measure will put a stranglehold on government services. They make a big issue about whether present taxes by Californians are really 44% of earnings. They are arguing that it may only be 43% or even as low as 41% that is taken in taxes. So what!

Some school people would have the voters believe the quality of education will suffer. (Heaven forbid) Homeowners need the best education possible, as well as all other services, more than any other group. To many, their home is the only real asset they own in this world, surely they will not allow that asset to deteriorate for lack of support. Can you imagine a neighborhood seceding from a school district because they don't want to pay for schools? I haven't heard of that happening, but I have heard of a community wanting to secede because there weren't schools in the community. Or, can you imagine a community closing down a fire district or shutting down a sewer district?

Don't fall for the scare tactics, look deeper for the real reason they are against Proposition 1.

THE POOR

Many of the scare tactics are aimed at the poor. Suggesting that many of the gains made in behalf of the poor will be set back. What gains? Are poor people any better off today than they were ten years ago? They are worse off with inflation, with housing and with unemployment. Not even the giant expensive programs of the Federal Government have solved any of the problems of the poor. In fact, those very programs may be the contributing factor to poor people being poor. With taxes so high it's no wonder they can't muster enough to make a down payment on a home when they do work.

The billions of dollars spent by the Federal Government have been a nightmare as far as housing is concerned. The recent razing to the ground of the Federal housing project in St.

Louis clearly points to the failure of that program. The poor do not want stockades built for them by the Federal or State government. They do not want to be reminded of their misery every morning and night and all day long.

The poor want and need an equal opportunity in this great society. They would much rather live in a four-room framehouse which they bought and paid for with their own earnings and their own savings. They certainly can't buy it with the taxes they paid. And believe me, when they work, they pay taxes, and lots of them. You see, they never make enough for tax-sheltered investments.

THE REAL OPPORTUNITY FOR THE POOR

The real opportunity for the poor will come from private industry when billions not collected in taxes, because of Proposition 1, will create more industry and businesses and cause new housing to be built. All of which will reduce costs and, in turn, reduce inflation, which, in turn, will reduce and eliminate many of our problems.

FAVOR THE RICH?

Charges that because Proposition 1 will reduce income taxes it favors the rich, shows how uninformed the opposition really is. Who pays income taxes? The rich? You've got to be kidding. Have you ever heard of tax-sheltered income? Who are the people investing in tax-sheltered income? You guessed it, the rich. Everybody knows that the poor do not pay income taxes. They'd be glad to pay if they could find jobs. So who pays income taxes? You guessed it again, those in the middle-income bracket who don't have enough left after taxes to make tax-sheltered investments. So, instead of helping the rich who do not pay income taxes anyhow, Proposition 1 helps those in the low-income bracket by exempting all family incomes of \$8,000 or less and single person's income of \$4,000 or less. Therefore, if those in the middle-income bracket will be the only group paying income taxes, and if Proposition 1 will reduce income taxes, who will it help? Right, the middle-income group and the lower-income group. So

don't let anybody tell you Proposition 1 will only help the rich, they're doing just fine under the present tax structure.

BUSINESS AND INDUSTRY

It is also charged that the measure will help business and industry. We hope so. If we want to create job opportunities for the unemployed and the poor to replace the handouts, we must not tax billions away from businesses. The billions could best be used for paying wages to new employees. That's much sounder economics than taking those billions for welfare or unemployment checks. The unemployed and the poor want jobs, not handouts. The secret to solving economic and social problems is not in more handouts, it's in providing more jobs, and we do not mean government make-work jobs.

WILL CURB FUTURE TAX INCREASES

Many opponents say Proposition 1 will curb future tax increases. They are absolutely right. Our endorsement of the measure is based on that fact. Statewide Homeowners Association hopes that in future years the billions which will not go for taxes in California, will, instead, pay for new homes, nicer apartments, business ventures, clothing, sporting goods, higher education and many more things which will all stimulate the economy because of the increase in the take-home pay. Billions of dollars will be spread throughout the State. Truly "free money" is uncollected taxes.

Do you realize that just \$1 billion not paid in taxes could buy forty thousand (40,000) \$25,000 homes outright, or make a 10% down payment on four hundred thousand (400,000) \$25,000 homes? And just think, another \$1 billion could buy:

500,000	Color TV sets at \$ 400.,	\$200,000,000
1,000,000	Bicycles at \$100.,	\$100,000,000
1,000,000	Wardrobes at \$200.,	\$200,000,000
166,666	Home Improvements at \$3,000.,	\$500,000,000.

During the next election when your legislator or

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California Homeowner is published quarterly by the Statewide Homeowners Association.

The association is basically a tax research organization primarily concerned with where and how taxes are levied against homeowners, apartment owners, renters, business, industry, farmers, slums and land speculators.

It is our intention to publish articles about unemployment, the economy, sprawl, zoning, the poor, education, senior citizens, developers, free enterprise, free trade and how responsive public officials are to the people they represent.

We recognize that our country is broadly based, and the political left and right are very small minorities. Therefore, neither should prevail upon the masses.

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bed. Is that sort of a guarantee of a solid bank?

No, that's to guarantee no head on collisions.

There'd be a lot of bridges over the 6 mile wide rivers.

Your rivers wouldn't be 6 miles wide. Because that's a six mile cut at the thousand foot level. It would be six miles to the other side at the thousand foot level. The river bed would be cut to whatever size would be made down there for that individual river, whether it's a hundred feet or a thousand feet, whatever they decided to have to take care of the overflow of water.

It seems to me that you are only going to get as much dirt to make the path as it's going to take to fill the gullies and dips and dives.

There wouldn't be any filling to do. For instance, the low spot out here is a flat desert, which is below sea level. One place is roughly 150 feet below sea level. They are not going to fill this in. This air is going to transverse it anyway. You have your ocean pushing in here. We have gales here from 4 to 15 miles an hour.

Yes, but how is that water going to get across that - and up over our mountains?

It won't come any farther this way. Now there is a stream of water flowing under our Laguna Mountains out here, which if you go to the stage coach station down by Agua Caliente, they have a well there which goes into that underground river. We will be tapping that. All that other water east of the desert, won't come any farther than the Colorado River.

In other words, your idea is that once it gets to the Colorado River, the Colorado River will take care of any excess?

It will take care of the excess. Mexico can take care of all the water they can get. You have the next big river flowing south, which is the Rio Grande. There is only one more mountain to cut out, and it isn't too high. The Rockies are west of the Rio Grande.

Would your plan show any sign of success if you made just one cut from San Diego, to the Mississippi?

Yes, because it would rain east of the mountains every night. All higher ground above 1,000 feet would get rain. The higher up it was, the more rain it would get, because rain is drawn by cold rocks. The cold, high altitude draws rain to it. The real low ground, like the desert out here, might see a sprinkle from the same rain which brought heavy rains in the mountains.

Does this have anything to do with why certain parts of Hawaii have rain every day?

Yes, I went to the University of Hawaii and talked to the Meteorologist, and he said

cause that is what would be needed to move the vast amount of earth. He visions, and so do I, that Los Angeles, Bakersfield, Fresno, San Diego, Riverside, San Bernardino, Sacramento, San Jose, San Francisco, Oakland and the rest of California would have smog free, fog free air.

NO MORE MISSISSIPPI RIVER FLOODS

His vision goes beyond cleaning the air on the coast. He says we could divert the excess wafer of the Mississippi River too, and prevent floods. He says that millions of non-producing acres would become productive.

I liked what he said. It made a lot of sense to me. What do you think? The following is based on an interview with John Kenton.

Tell our readers some of the reasons for our hurricanes and floods; what you consider to be some of the causes.

A tornado is caused by moist, hot Gulf of Mexico air, travelling northward, and connecting with the Canadian air coming south. Any time you bring those two together, it's like touching negative and positive electric wires together. You've got trouble. My plan is to keep those two from getting together. By doing that we could do away with tornadoes across the country.

How will you keep the cold air from Canada from coming down and clashing with the hot air from the Gulf?

My plan is to have at least 6 level cuts from the level of the ocean, both the Atlantic and the Pacific, drawing this mild ocean air in, which would block both the hot air from travelling north out of the Gulf of Mexico, and the cold air coming down out of Canada. There should be 6 wide paths of this air moving straight across the country. Each one of these cuts will be a low pressure area, to draw rain in from the ocean, both on the Atlantic and Pacific. The interior then will get rain off the ocean which they could never receive before.

What's going to change the air currents

with your plan?

You have a suction through each mountain, which will be terrifically strong. You are going to move tremendous amounts of ocean air. You are talking about the top of the mountains out here at 6000 feet down to sea level. You are talking about 6 miles wide at 1000 feet, then in some instances you have 5000 feet more you are going up. You are going to move a tremendous amount of air. Out of Los Angeles you're going to roughly 8,000 feet, and you're going to be six miles wide at 1000 feet.

How would this stop tornadoes?

The Atlantic Ocean air would come in and shove that moist warm air from the Gulf straight up. It wouldn't connect with the cold air coming out of Canada. There would be a cut at Savannah, Georgia and Charleston, South Carolina. The hot Gulf air would be shoved upward by cool Atlantic air coming under it. But not cold frigid air like comes out of Canada.

In other words, it would temper it?

Yes, change of temperature.

You're talking about moving dirt. Are you actually suggesting that they build a bank on two sides of the cut and fill in everything in between? In other words do you mean to say that what you are proposing would make river beds across the country, 6 of them. That you would start at the high point of the Mississippi

"WILL" FORMS

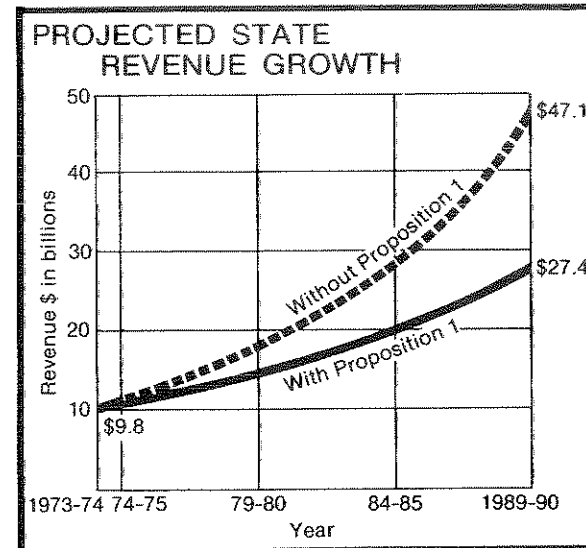
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nomics at the University of Chicago and one of the nation's leading economic thinkers;

-- Dr. William Niskanen of the Graduate School of Public Policy at the University of California at Berkeley;

-- Dr. C. Lowell Harriss of Columbia University and long-time advisor to the Tax Foundation;

-- Dr. Peter Drucker, the famed management consultant who is now a faculty member at Claremont Men's College;

-- Anthony Kennedy, professor of constitutional law at McGeorge School of Law, University of the Pacific;

-- Dr. J. Clayburn LaForce, chairman of the Department of Economics at the University of California at Los Angeles;

-- Dr. W. Craig Stubblebine, professor of economics at Claremont Graduate School, Claremont Men's College;

-- Frank Goble, Management and Motivation consultant, author and president of Thomas Jefferson Research Center in Pasadena;

-- Dr. Dan Troop Smith of the Hoover Institution on War, Revolution and Peace, Stanford University.

A finer group of experts has never before been put together to work on a more important and pressing piece of business on behalf of the people.

In Dr. C. Lowell Harriss' words, "one of the greatest needs in American government today is control of the growth of spending."

PROPOSITION 1

Well, the Governor's Task Force has designed a program to meet that need. In November, Californians will be voting on a constitutional amendment that will:

-- Provide a permanent state income tax reduction of 7.5 per cent;

-- Reduce the share of total personal income taken by state government from its level at the time the amendment becomes effective (estimated at 8.75 per cent) in annual increments of .1 per cent over a 15-year period and permanently freeze it at the lower level.

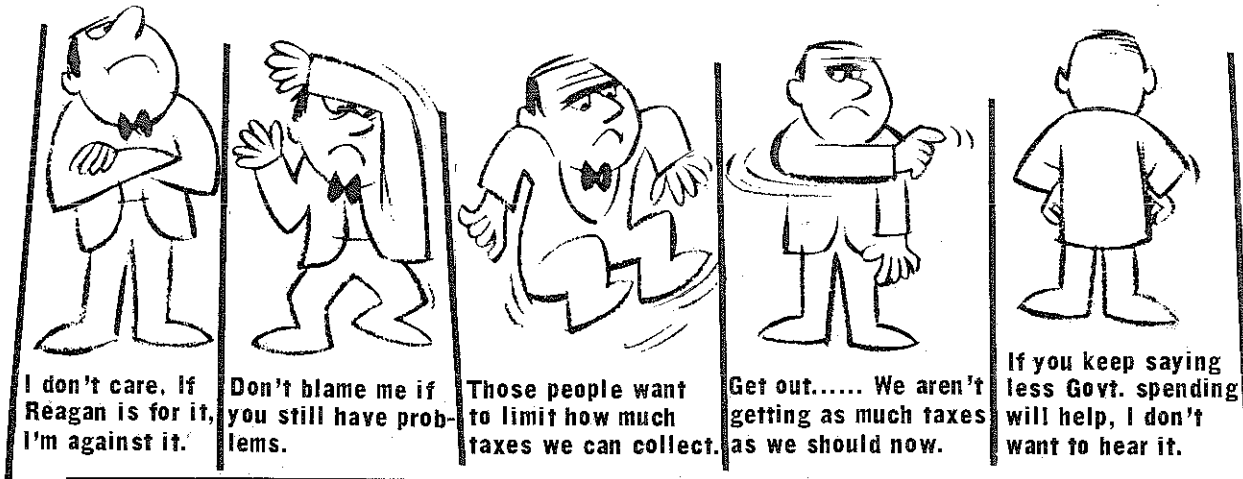
-- Write into the Constitution the limitations on taxation by local government which became law with the passage of Senate Bill 90, the property relief-school aid measure. This would prevent some future Legislature from rescinding that reform.

-- Establish an emergency fund of up to .2 per cent of total personal income. The money could be expended only if the Governor declared a state of emergency with concurrence of two-thirds of the Legislature.

-- Permit the Legislature by a two-thirds vote to place on the ballot a referendum to either defer the annual percentage reduction in state revenues or to exceed the permanent ceiling after it is reached. A majority vote in a statewide election would be required to authorize the proposal.

-- Require a two-thirds vote of the Legis-

The Little Politician.....



lature to increase any tax within the revenue ceiling, but only a simple majority vote to decrease a tax.

-- Permit the revenue ceiling to be exceeded if necessary to comply with federal law or court action mandating that the State take over a function of local government. However, local taxes would have to be reduced dollar for dollar.

-- Require that future surplus state funds be used either to replenish the emergency fund or be refunded.

REBATE

When originally drafted, the amendment also provided a one-time rebate of up to 20 per cent of 1973 state incometaxes. Governor Reagan earlier this year asked the Legislature to provide such a rebate, but they refused.

Faced with the possibility that the voters would accept the Governor's initiative, the Legislature in the middle of August finally passed a bill which will grant the rebates the Governor sought. This constituted a major legislative triumph for the Governor and underscores the need for his initiative. The Governor originally formed his Task Force because the Legislature would not act. When faced with the possibility that the people would act on their own, through

the Governor's initiative, they finally granted the rebates and at the same time rolled back the 1-cent sales tax increase as the Governor had asked.

CONTROL OF SPENDING

When the Governor's task force began its work it did not, as some would have you believe, simply suggest cutting large chunks from government spending without regard for maintaining essential services. Its members recognized that government plays an important role in our way of life and that taxes are necessary to pay for it. But they also recognized something that some people are still unwilling to concede: that the total cost of government has grown to an intolerable level and that it will continue to get worse unless government spending is brought under control.

The Governor's Task Force traced the constantly upward trend of government spending and taxes, and the figures were alarming.

In 1930, government at all levels took 15 per cent of the people's earnings to support itself. By 1950 it had doubled to 30 per cent.

Today, government takes almost 44 per cent and if you continue that rate of increase for another 15 years, government's share will be almost 55 per cent.

WOULD YOU BELIEVE.....
CLEAR AIR IN CALIFORNIA!!!

by Harry Bing

How many of you have taken a flight to San Francisco from San Diego? Have you ever looked out the window to look down on the San Joaquin Valley and see nothing but a layer of clouds? I have many times.

If you haven't flown over, I'm sure you've read about the terrible accidents they have due to fog.

Many times the only thing you can see from a plane are the mountain peaks on the two sides of the Valley. It looks like a bath tub full of soap suds. When the Valley is covered like that, so is the ocean as far as the eye can see. In fact, the cool air from the ocean and the warm air from the land are what causes that cloud cover.

IT JUST SITS THERE

Have you ever wondered why it doesn't move on over the mountains to the interior? The reason is that the mountains are too high. It takes a severe storm with strong winds to push those clouds over those mountains.

That isn't a problem limited strictly to the San Joaquin Valley. It's the same in the San Gabriel Valley, the Sacramento Valley, in San Diego County and up the West Coast.

AIR CONDITIONING

Wouldn't it be great if we had a fan that could blow those clouds over the mountains? I haven't heard anyone propose that, but I do know a man who lives in San Diego who is proposing cuts through those mountains so that those clouds could be sucked through by the warm air on the other side.

His name is John Kenton, and he is retired from the Navy. He says he has been thinking about this since he was a boy. In his travels with the Navy he had an opportunity to observe weather conditions in many parts of the world.

MODERN TECHNOLOGY

He says that if we were able to put a man on the moon, we sure can move a little bit of those mountains. By a little bit he means making cuts 6 miles wide. What sounds best of all about his plan is that with the rocks and dirt from those six mile cuts he proposes to build recreation islands three miles off our coast.

A SELF SUPPORTING PROJECT

He said the whole project could pay for itself from the sale or lease of the islands to hotel and resort interests. It would also be an opportunity to test rapid transit systems, be-

apparent that most of the personnel and the outmoded business systems have grown up together.

"Despite this built-in allegiance to the old system, the need for change is recognized fully, or in part, at all levels of the organization. Attempts to change the outmoded system are frustrated by inertia; feelings of insecurity among the older employees; lack of confidence in new methods, especially computerization; and the natural resistance to change that is found in all old established organizations.

"... In an attempt to discover some of the root causes of current business practices, many previous studies on organization and business management practices were studied in detail. This review quickly brought into focus the fact that many of the problems existing in the district today had been identified before and recommendations had been made to correct them.

"... One of the most interesting reports submitted by Lybrand, Ross Bros. & Montgomery was entitled, "Opportunities for Savings in the Business Operations," dated January, 1962. This report noted that with only modest changes in the methods of operations in maintenance, gardening, and purchasing, a savings potential of \$215,000 was possible...

"... Articulate verbalization camouflages the unwillingness or inability to recognize the need for effecting economies in the operations of the entire district. The budget debates of the past months have clearly identified those individuals who are willing to fight to the bitter end to protect their function or program ... with little or no regard for the problems of the district as a whole. Failure to comply with simple instructions in this critical process marks some as poor administrators lacking in fiscal responsibility. The lack of cooperation evidenced by some individuals raises serious questions as to their competence to continue in their present assignments."

NO ACTION

Dr. Jack Hornback, Superintendent at the time, commended Gen. English with, "The

General has fulfilled his assignment completely and just as candidly as we asked. All I can say is, General, well done."

That was three years ago. Hornback is no longer with the District, and his successor, Dr. Thomas Goodman, just this year successfully resisted reductions in the administrative staff called for by board president, Louise Dyer.

13,405 EMPLOYEES

The school district has 13,405 employees, but only 4,995 are classroom teachers. Several attempts have been made to cause a change since the English report, but to no avail. One such attempt is evidenced by the memorandum to fellow board members and the Superintendent by Arnold Steele, (see previous page), who is no longer on the board.

DYER STANDS ALONE

At several of the budget sessions this year, board president Dyer insisted that cuts be made in administrative costs. Each attempt was side-tracked by the Superintendent. In the end, she said, "I just don't see what else I can do, but I am still convinced some economies can be made in this district's central administration."

MAINTENANCE - \$494,200 SAVINGS

The English report on maintenance was prepared by John Cronin, management consultant and civil engineer for the State of New Jersey. His report showed savings of \$494,200 can be made in the following areas:

\$178,100.00	- Painting
65,300.00	- Plumbing and Heating
22,300.00	- Garage
36,600.00	- Electric
73,500.00	- Carpentry
37,700.00	- Grounds
27,500.00	- General
53,200.00	- Office
\$494,200.00	

That's a lot of money to be wasting just in the area of maintenance. END OF PART 2

No nation in history has long survived a tax burden that reached even one-third of its citizens' earnings. Indeed, history shows that the first signs of disintegration begin when the total tax burden hits 25 per cent.

As Daniel Webster warned many years ago, "An unlimited power to tax involves the power to destroy."

The tax limitation formula devised by the Task Force and incorporated in Proposition 1 seems intricate, but its principle of operation is simplicity itself.

ONE TENTH OF ONE PERCENT

State spending, which now amounts to about 8.75 per cent of California's total personal income, will be reduced one-tenth of one per cent per year for 15 years and will then be frozen.

One-tenth of one per cent does not sound like much, but over a 15-year period it would amount to a reduction in state taxes of nearly 20 per cent.

When you calculate that percentage in dollars and compound the savings over that period, it adds up to a total tax savings for the people of California of \$118 billion.

STATE CUTBACKS CANNOT BE SHIFTED

As homeowners, you have a legitimate concern that cutbacks at the state level are not simply shifted onto the back of local government.

That, too, was a vital concern of the Task Force. Obviously, if local government had to increase outlays to make up for state-level cutbacks, there would be no savings to the people at all.

Remember, this is a constitutional amendment. Local property tax levels would be frozen and safeguards written into the California Constitution. The amendment also clearly specifies that the state must pay for any new or expanded programs it mandates on local government or school districts. It also contains realistic con-

straints against reductions of existing levels of aid to local government and schools. By the same token, if the state assumes the costs of local government function, then local taxes must be reduced on a dollar-for-dollar basis.

18 BILLION BUDGET IN 10 YEARS

Some critics say Proposition 1 would put government in a strait-jacket. What it really does is force the government to start living within its income, just as you and your family do.

But the strait-jacket charge is ridiculous under any circumstances. The Governor's Task Force has come up with a reasonable plan. It assures flexibility for government to grow and meet the needs of an expanding population and to take care of the inflation factor.

It is estimated that, because of inflation and other outside factors, the present state budget would have to grow by 118 per cent in the next 15 years just to maintain the present level of services. The Governor's plan would allow the state budget to grow 181 per cent. That translates into \$41.5 billion for new programs and services not now in existence, money for more and better schools and other public needs. That's above and beyond the money it will make available for maintaining every current program in the state budget, adjusted upward for inflation and growth in the years ahead.

If California voters approve Proposition 1 on November 6, state revenues still will be able to double to more than \$18 billion in 10 years and triple to more than \$27 billion in 15 years.

If that's a strait-jacket, it's a mighty loose fit!

But without constraints, state government's income will have grown to a whopping \$47 billion in 15 years -- five times larger than it is today. And, as we all know, what money government takes in, government will want to spend. The Governor doesn't believe that Californians want a budget that size in 15 years. They can't afford it and they shouldn't be expected to pay for it.

As Dr. Milton Friedman said, "Government

expenditures rise to absorb any tax increase and then some."

BALANCED BUDGET

It is true that we already have a constitutional provision which requires us to have a balanced state budget. But the problem is that too often it is balanced by increasing taxes. Proposition 1 will solve this problem by requiring that the total amount of state taxes decrease gradually over a 15-year period and then remain at the lower fixed percentage of total personal income from that time on.

At the same time, there are numerous safeguards to enable the Legislature to meet temporary state emergencies. But the people will have the final say on whether the limit should ever be changed on a permanent basis.

Within the overall ceiling on expenditures, the Legislature and the Governor will retain complete control over the level of any given tax and the total mix of state taxes. None of their prerogatives would be lost -- except the authority to spend more of the people's money than the people themselves decide they can afford.

The only other restraint Proposition 1 would place on the Legislature is to require a two-thirds vote of both houses to raise any tax within the limitation. Taxes could be lowered by a simple majority vote, however.

The Governor's program -- Proposition 1 -- will once and for all put an end to the blank-check approach to government financing. The reason the big spenders are so opposed to Proposition 1 is because the blank-check approach allows them to fill in the dollar amount to suit themselves. That is why, under the existing system, the average family spends more to pay for government than it does for food, clothing and shelter combined.

HOMEOWNERS TAX RELIEF

Last year, we adopted a major program of homeowner tax relief. It was a bipartisan effort

in the truest sense. If ever there was a consensus on anything, it was that the crushing property tax burden on homeowners must be alleviated. Leaders of both parties agreed that the cost of owning one's own home had reached an intolerable level and simply had to be scaled back. So, after years of trying, we were able to achieve property relief. But that was merely a shift from one unfair tax to a broader based tax.

Now we must deal with the problem of reducing the entire tax burden. Unless we do something, there will come a day when our free enterprise economy no longer will be able to generate the jobs and the expansion necessary to shoulder such an enormous load. Leading economists have warned that our system will simply collapse if we do not take drastic action soon to halt and reverse government's spiraling tax take.

GOVERNMENT CAN TRUST THE PEOPLE

The mentality of the critics of this program is epitomized in the argument that the people cannot be trusted to set reasonable tax rates for themselves. This is elitist nonsense! Under our Constitution, government derives its power from the people alone. There is no other source of power than the people and it is the people who pay the taxes that pay the government's bills.

For this reason, the people can and should be able to decide how much they can afford to pay for government. Government should then establish proper priorities to fit within that amount. It is hardly a radical idea. It is exactly what every family must do with its budget.

Keeping government spending within bounds is no new concern. Nearly a lifetime before the beginning of the Christian era 2,000 years ago, Roman Senator Cicero wrote:

"...When a government becomes powerful, it is destructive, extravagant and violent; it is an unsurer which takes bread from innocent mouths and deprives honorable men of their substance, for votes with which to perpetuate itself."

Cicero could have said the same thing about this country today.

END

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OF THE

San Diego Unified School District

AND

San Diego Junior College District

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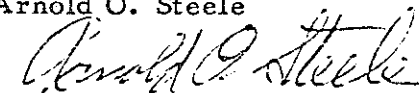
THE BOARD OF EDUCATION

ARNOLD O. STEELE
Vice-President
7765 Girard Avenue, Suite 206
La Jolla 92037

January 11, 1971

TO: Board Members and
Dr. Jack Hornback, Superintendent

FROM: Arnold O. Steele



In the urgency of seeking a new superintendent, it is imperative that we follow through on our many problems, including the implementation of General English's report. Apparently segments of General English's report have never been presented to the Board, including recommendations that involve substantial savings.

We must either implement or come up with sound educational reasons for not implementing the report.

To ignore the report, hoping to refer it to the new superintendent, will jeopardize any forthcoming bond proposals in the mind of the public.

General English's report cannot be ignored or delayed; it must be faced up to. Therefore, unless the Superintendent presents the rest of the report to the Board, I, for one, will have to ask for it in public. It appears that the bureaucratic apparatus of the Education Center is acting in a concerted effort to stifle the report, hoping that General English will retire and the report forgotten. Unless the report is presented to the Board, together with the Superintendent's recommendations, I will assume that substantial sums can be saved and will therefore vote for substantial cuts in purchasing, personnel, maintenance and other departments which have been studied.

Why this wall of secrecy? Why does everyone know but the Board? Why is the Board being "walled in" by silence in this matter? We must know, when leading citizens wonder why we don't effect changes that will save the District millions of dollars.

these services.

PERIPHERAL USES OF FACILITIES

"Opportunities for increased revenue are available by controlling and charging for use of facilities. This includes facilities which are used for civic center or community recreation purposes and parking facilities for pupils and employees.

"In the community service areas, few, if any, districts have adequate records indicating who used the facilities, how frequently, etc. Cost records are not sufficiently detailed to allow determination of the full costs, including utilities, custodial costs, and the share of overhead that should be charged to these programs. The amount of district general fund support cannot be determined.

"Several options are open to the districts after they gather adequate cost/benefit data:

- *Control community use of facilities to a level which is wholly supported by the special tax and fees charged.*
- *Establish fees to recover all direct and indirect costs.*
- *Formulate district policy to require user groups be charged.*
- *Explore the possibility of a joint program with other jurisdictions (city, county, park and/or recreation districts) paying program costs which exceed revenue from the permissive tax override and user fees.*

"Parking privileges for students and staff are provided by most schools at no charge. Maintenance and operation costs of such facilities are approximately \$20 per parking space, per year. Most districts have not identified costs connected with their parking facilities. Some don't even know the number of spaces they maintain.

"The costs of land, construction, control, and maintenance of parking spaces make this an expensive employee and student benefit. A fee

to offset the expenses and at least some of the initial costs would raise considerable revenue. Precedents have been established in the state colleges (\$13.00 per semester), the University, and in state government (\$7.00 per month in downtown Sacramento).

"Therefore, it is suggested that districts:

- *Determine the cost of providing parking at the schools and district offices.*
- *Take whatever steps necessary to charge employees and students a reasonable parking fee."*

SAN DIEGO SURVEY

In San Diego, where several reports have been made over the years, a new report was being prepared about the same time as the Statewide report by the State Finance Dept.

The San Diego survey, headed by Major General Lowell E. English, USMC, Retired, covered the "Business Management Practices" of the San Diego Unified School District and was made at the request of the Board of Education and the School Superintendent.

His report, in part, said:

"After being immersed in the operations of the San Diego Unified School District for the past five months, I have come to the conclusion that it has taken many years for the present conditions to develop. Also, that it will take a year or more to effect all the changes that are recommended.

"Rapid expansion over the past three decades focused the attention of the administration on problems related to providing new schools, equipment, and new programs to deal with changes in education and increased enrollment. Equal attention does not appear to have been paid to modernizing the business practices. As a result, many of the business practices today are the same as they were years ago. The administrators in the Education Center have an average age of 48.6 years. The average in some of the vital business areas is higher. It becomes

Why the High Cost of Education?

(Part 2)

by Robert R. Sammon

An August 1, 1971 report by the California Department of Finance titled, "How to get more out of your school dollar" should be read by every school board member and every taxpayer in the state.

TEAM OF 59 AUDITORS AND CONSULTANTS

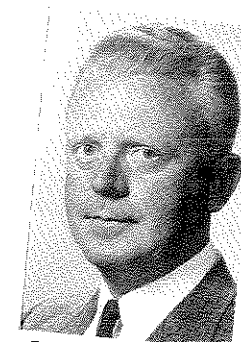
The study which preceded the report was made by 28 management auditors, experienced in studying governmental operations. Later they were joined by 31 consultants representing 13 public accounting and management consulting firms with prior school experience.

COST REDUCTION

The report states that many areas of school operations need attention, for example, under the sub title of "cost reduction," the report says:

"Formal cost reduction programs have proved effective in many private and public organizations but no school district was found to have one. An effective approach is:

- Form interdisciplinary teams
- Use outside help if necessary
- Examine each operation for cost saving opportunities.
- Determine dollar objectives
- Establish deadlines



Robert R. Sammon
Management Consultant

"The keys to success of a cost reduction program are:

- Involvement of top management
- Participation by the supervisors and workers alike
- Periodic progress reports
- Prompt follow-up of suggestions
- Immediate decision and implementation of accepted recommendations
- Realistic estimates of savings
- Proper accountability of savings through budget reductions."

FACILITY MAINTENANCE AND OPERATIONS

A large portion of the study covered maintenance:

"The most significant opportunity for cost control in the areas of facility operations and maintenance is through the use of better management techniques. Shortcomings were noted in the planning, methodology, control and evaluation of these functions. For example:

- *Many districts have no rational staffing standards for the custodial and maintenance work forces.*
- *Few districts have adequate cost and workload data for management of the functions.*

Robert R. Sammon, management consultant, shared the office with Major General Lowell E. English, USMC, retired, during the study of the business operations of the San Diego Unified School District. He has 25 separate reports by consultants who were brought in for that study.

Future articles in this series by Bob will make use of those reports. Taxpayers will be amazed by the amount of waste in the administration of our schools.

Among other things, cost per square foot is not known; consequently, comparisons cannot be made. There are no recognizable quality standards; this makes control and evaluation difficult.

- Many districts lack adequate standardized work procedures and techniques. Better equipment or supplies may also be needed.
- Workload tends to fluctuate causing scheduling problems in many districts. More time is spent reacting to emergency situations than is spent on planned work. Work of low economic value is used to fill in slack time. Work is not scheduled to efficiently utilize the employees' time by combining jobs, reducing travel, etc.
- Evaluation of job performance is not based on measurable standards.
- Many districts minimize maintenance because of financial problems. In the long run, correction of resulting deterioration could cost the district much more than appropriate and timely care. At the same time, they are missing opportunities to reduce expenditures in other areas with lower priority.
- Many day custodians perform low-priority work that should be done by others (e.g. errands for teachers and principals).

"Districts that have installed a modern custodial and maintenance management system have alleviated most of these problems and reduced custodial costs from 15-25%, as well as realizing significant improvement in preven-

tive maintenance.

"Maintenance management systems can take many forms. A comprehensive package, described below, has proven highly valuable in at least one school district, other governmental jurisdictions and private industry. There are eight steps to the process:

Physical Inventory. An inventory is taken of all features in the district requiring custodial care and/or preventive maintenance. The inventory is quantified in terms of so many square feet of each kind of surface, so much lawn, so many desks, etc. The detail of the inventory and breakdown by location of items is determined by its proposed usage. Generally, inventory detail and location breakdowns are used as a budgeting/scheduling/control tool.

Level of Service. Level of care standards, expressed in measurable terms are developed for each major inventory item. For example: "Mow the lawn when it reaches 'X' inches in height"; "clean blackboards daily." Standards may vary by school location. Some washrooms may need cleaning twice a day, others once a day; some lawns may be allowed to grow higher than others before mowing.

Several levels of service will be needed to correspond to the availability of funds in the budget; "A" level being the ideal - "B" level being lower, but adequate - "C" level being the minimum acceptable.

Although standards usually begin as a quality factor (wax vinyl floors whenever scuff marks are apparent), they should be translated into frequency terms (wax vinyl floors every _ days).

Mrs. Louise S. Dyer:



Louise S. Dyer

"I just don't see what else I can do, but I am still convinced some economies can be made..."

Dr. Thomas L. Goodman:



Dr. Thomas L. Goodman

"Some people want everything."

Methods and Materials Improvement. The ways in which the major job procedures are done should be analyzed for cost improvement. This includes: looking at how individuals and teams go about their jobs; developing and installing better work methods; examining the equipment used to see if the job would be less costly by using other equipment; determining if newer industrial products might do a better job at less cost.

Organization. The method analysis may lead to reorganization. For example: The team approach may be used; supervision may be strengthened or diluted; and employee reporting relationships may be changed so that work crews are deployed on a district-wide basis rather than by school.

Work Measurement. When improved methods, equipment, supplies, and organization are implemented, the time required to do the major jobs is determined by a work measurement analyst. Allowances for travel between jobs, scheduling friction, jobs not measured, emergencies, etc., are added to measured time for purposes of budgeting and scheduling.

Budgeting. Budgets for the operations and maintenance function are computed based on the inventory, level of service, and measured time required plus the allowances. Custodial and maintenance crews are staffed according to this budget. Should the budget level not be approved, the detailed analysis provides a sound basis for fallback to an alternate level.

Scheduling. Functional managers now have a basis for scheduling work daily, weekly, monthly, and annually for the best use of avail-

able forces and equipment.

Controls and Evaluation. A reporting system is developed to monitor quality, time and cost performance. If performance does not meet standards, either adjustments should be made to the standard or steps should be taken to improve performance.

Adaptability to districts. Not all districts have physical plants large enough to profit from all of the above steps or have trained staff available to do the needed analysis. However, all districts would benefit from improved methods, scheduling, budgeting and control. These four steps can be accomplished in even the smallest districts.

"Therefore, it is suggested that:

- All districts improve their records and reporting system in custodial and maintenance areas so that superintendents and governing boards will know what value they are receiving for the money spent and will be able to make cost comparisons with historical data and with other districts.
- A concerted effort be made to improve methods, equipment and scheduling.
- Quality standards and staffing guidelines be developed.
- Controls be established and performance evaluated.

"If districts wish to go further than their resources permit in developing a custodial and maintenance management system they could cooperate with other districts or contract for