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February 4, 1983

DOUGLAS D. BELL  
Executive Secretary  
No. 83/12

TO COUNTY ASSESSORS:

ARTICLE XIII A INFLATION FACTOR

This letter is to alert you to the fact that based on the April 1982 to December 1982 data the annual inflation factor will fall below the two (2) percent for the first time since the voters approved Proposition 13. This may present program problems to some of you.

Section 2(b) of Article XIII A states in part:

"The full cash value base may reflect from year to year the inflationary rate not to exceed 2 percent for any given year or reduction as shown in the consumer price index. . . ."

Section 51 of the Revenue and Taxation Code interprets this as follows:

"For purposes of subdivision (b) of Section 2 of Article XIII A of the California Constitution, for each lien date after the lien date in which the base year value is determined pursuant to Section 110.1, the taxable value of real property shall be the lesser of:

"(a) Its base year value, compounded annually since the base year by an inflation factor, which shall be the percentage change in the cost of living, as defined in Section 2212; provided, that any increase shall not exceed 2 percent of the prior year's value; or. . . ."

Section 2212 of the Revenue and Taxation Code provides:

"'Percentage change in cost of living' means the percentage change from April 1 of the prior year to April 1 of the current year in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations."

February 4, 1983

This legal mandate has been with us since the voters adopted Proposition 13 in 1978. Until now, however, the only effect has been to hold down the inflation factor applicable to base year values to 2 percent for each of the years since 1975. Because the CCPI (California Consumer Price Index) has been so much in excess of the 2 percent limitation, little attention has been paid to it. It appears that 1983 may prove to be the year that the CCPI factor will fall short of the 2 percent limiting amount and will, in all probability, be negative. The April 1982 to December 1982 factor is a negative .7 percent (-.7%) with several months still to be compiled to arrive at a final computation.

To better understand this factor, one must first understand the CCPI. This Consumer Price Index is a measure of the cost of goods relative to costs in 1967. The enclosed table reports the results for the last 24 months. The April 1982 CCPI of 293.0 means that a market basket of goods in 1967 costing \$10 cost \$29.30 in April 1982. Further, the April 1982 figure of 293.0 is 8.7 percent over the April 1981 figure of 269.6 ( $293.0 \div 269.6 = 1.0868$  or up 8.7%).

There are separate indices for Los Angeles (compiled monthly), San Francisco-Oakland (compiled bimonthly starting with February), San Diego (compiled bimonthly starting with January), and a statewide composite compiled bimonthly starting in February. There is no April 1 index; however, there is a statewide compilation for the month of April. This may cause one to wonder if the April index is to be used or some other time frame. The State Controller had the same problem in implementing Section 16113(e) of the Government Code in that the April 1 to April 1 factor (Section 2212, Revenue and Taxation Code) was used to compute the business inventories and sportfishing boat subventions. In that calculation, the Controller elected to use April 1981 and April 1982 data for the comparison.

Using April 1982 as a base, we can compute from the enclosed the percent change for various points in time over this past year, i.e.:

April 1982 to June 1982 =  $298.0 \div 293.0 = 1.0171$  or up 1.7%

April 1982 to August 1982 =  $297.5 \div 293.0 = 1.0154$  or up 1.5%

April 1982 to October 1982 =  $296.4 \div 293.0 = 1.0116$  or up 1.2%

April 1982 to December 1982 =  $291.0 \div 293.0 = .9932$  or down .7%

These indices are computed by the California State Department of Industrial Relations, Division of Labor Statistics and Research from indices issued by the U.S. Department of Labor, Bureau of Labor Statistics. They are published bimonthly with the last one (December 1982) being received on January 27, 1983. We anticipate the April report to be available after May 25, 1983.

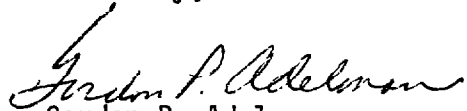
TO COUNTY ASSESSORS

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We will keep you posted as to the results of both the February and April reports as soon as they are available to us. Any questions should be directed to me or to Robert H. Gustafson, Chief of Operations.

Sincerely,



Gordon P. Adelman  
Assistant Executive Secretary  
Department of Property Taxes

GPA:sfg  
Enclosure

STATE OF CALIFORNIA  
DEPARTMENT OF INDUSTRIAL RELATIONSDIVISION OF LABOR STATISTICS AND RESEARCH  
P.O. Box 603, San Francisco, Calif. 94101**CONSUMER PRICE INDEX—CALIFORNIA**  
Los Angeles-Long Beach-Anaheim, San Francisco-Oakland, and San Diego  
United States City Average, 1981 - 82

RECEIVED

JAN 27 1983

Statistical Research &  
Planning Division  
Board of EqualizationAll Items  
1967 = 100

Year and month	All Urban Consumers					Urban Wage Earners and Clerical Workers <sup>b</sup>				
	California <sup>a</sup>	Los Angeles-Long Beach-Anaheim <sup>c</sup>	San Francisco-Oakland <sup>c</sup>	San Diego <sup>c</sup>	U.S. City average	California <sup>a</sup>	Los Angeles-Long Beach-Anaheim <sup>c</sup>	San Francisco-Oakland <sup>c</sup>	San Diego <sup>c</sup>	U.S. City average
1981: January	-	259.4	-	287.7	260.5	-	262.7	-	282.9	260.7
February	264.2	261.6	260.5	-	263.2	265.8	265.0	261.6	-	263.5
March	264.2	263.3	-	293.1	265.1	-	266.5	-	288.0	265.2
April	269.6	265.5	270.3	-	266.8	271.2	269.1	270.9	-	266.8
May	-	267.3	-	297.5	269.0	-	270.7	-	292.5	269.1
June	272.6	267.9	274.0	-	271.3	274.2	271.7	274.3	-	271.4
July	-	272.2	-	305.4	274.4	-	276.3	-	300.5	274.6
August	281.4	274.8	287.9	-	276.5	282.7	278.6	287.2	-	276.5
September	-	279.3	-	313.9	279.3	-	282.9	-	308.0	279.1
October	288.6	281.3	297.0	-	279.9	289.5	284.9	295.6	-	279.7
November	-	281.6 <sup>f</sup>	-	321.3	280.7	-	285.3 <sup>f</sup>	-	315.1	280.4
December	289.1 <sup>f</sup>	282.1 <sup>f</sup>	294.0	-	281.5	290.0 <sup>f</sup>	285.9 <sup>f</sup>	292.7	-	281.1
Annual average	276.6	271.4	279.0	304.6	272.4	277.9	275.0	278.8	299.3	272.3
1982: January	-	285.6 <sup>f</sup>	-	323.1	282.5	-	289.6 <sup>f</sup>	-	317.4	282.1
February	291.9 <sup>f</sup>	285.4 <sup>f</sup>	295.8	-	283.4	293.0 <sup>f</sup>	289.2 <sup>f</sup>	294.9	-	282.9
March	-	286.4 <sup>f</sup>	-	319.0	283.1	-	290.2 <sup>f</sup>	-	313.9	282.5
April	293.0 <sup>f</sup>	286.6 <sup>f</sup>	298.8	-	284.3	294.2 <sup>f</sup>	290.3 <sup>f</sup>	297.8	-	283.7
May	-	287.1	-	329.2	287.1	-	290.6	-	323.3	286.5
June	298.0	290.1	304.6	-	290.6	299.0	293.9	303.4	-	290.1
July	-	289.3	-	334.8	292.2	-	293.0	-	329.4	291.8
August	297.5	289.1	304.3	-	292.8	298.3	292.8	302.8	-	292.4
September	-	288.2	-	325.6	293.3	-	291.7	-	321.1	292.8
October	296.4	289.5	302.4	-	294.1	297.3	292.8	301.3	-	293.6
November	-	288.5	-	321.7	293.6	-	291.6	-	318.2	293.2
December	291.0	285.3	293.9	-	292.4	291.7	288.0	293.6	-	292.0
Annual Average	n.a.	287.6	300.0	n.a.	289.1	n.a.	291.1	298.9	n.a.	288.6

<sup>a</sup>Weighted average of the consumer price indexes for Los Angeles-Long Beach-Anaheim, San Francisco-Oakland, and San Diego. Computed by the Department of Industrial Relations, Division of Labor Statistics and Research from indexes issued by the U.S. Department of Labor.

<sup>b</sup>Revised index for Urban Wage Earners and Clerical Workers.

<sup>c</sup>1970 Census of Population metropolitan area definitions. Los Angeles-Long Beach-Anaheim, is an aggregation of two SMSA's

Revised 12/21/82. The U.S. Department of Labor, Bureau of Labor Statistics, has issued revised CPI figures for Los Angeles-Long Beach-Anaheim which necessitated revision of the California CPI for December 1981, February and April 1982. Further information on the revisions, which were due to corrections in several pricing quotes over the year, may be obtained from the BLS Regional Office.

n.a. Not available.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

January 21, 1983