City and County of San Francisco
YOUTH COMMISSION
Civic Engagement and Education Committee

MINUTES

Monday, October 23rd, 2023
6:00 pm

IN-PERSON MEETING
City Hall, Room 270
1 Dr. Carlton B. Goodlett Place,
San Francisco, CA 94102

IN-PERSON MEETING with REMOTE ACCESS via Webex

Members: Valentina Alioto-Pier (Mayoral, Chair), Isabella T. Perez (Mayoral, Vice Chair), Ewan Barker Plummer (Mayoral, Member), Joselyn Marroquin (Mayoral, Member).

Present: Valentina Alioto-Pier, Ewan Barker Plummer, Joselyn Marroquin, Isabella T. Perez.

Absent:

Tardy:

The San Francisco Youth Commission's Civic Engagement and Education Committee met in-person with remote access for public comment, on October 23, 2023, with Chair Alioto-Pier presiding.

1. **Call to Order and Roll Call for Attendance**

   Chair Alioto-Pier called the meeting to order at 6:00 pm.

   On the call of the roll:

   Roll Call Attendance: 4 present, 0 absent.

   Ewan Barker Plummer present
   Joselyn Marroquin present

Isabella T. Perez present
Valentina Alioto-Pier present

A quorum of the Civic Engagement and Education Committee was present.

2. **Communications**

Joy Zhan, Youth Development Specialist of the SFYC, shared communications and meeting announcements with the Civic Engagement and Education Committee.

3. **Approval of Agenda** (Action Item)

No discussion, and no public comment.

Commissioner Barker Plummer, seconded by Chair Alioto-Pier, motioned to approve the October 23rd, 2023 Civic Engagement and Education Committee meeting agenda. The motion carried by a voice vote:

Roll Call vote: 4 ayes

Valentina Alioto-Pier aye
Ewan Barker Plummer aye
Joselyn Marroquin aye
Isabella T. Perez aye

Action: Agenda Approved.

4. **Approval of Minutes** (Action Item)
   a. October 13th, 2023 (Packet Materials)

No discussion. No public comment.

Chair Alioto-Pier, seconded by Vice Chair Perez, motioned to approve the October 13th, 2023 Civic Engagement and Education Committee meeting minutes. The motion carried by a voice vote:

Roll Call Vote: 4 ayes

Valentina Alioto-Pier aye
Ewan Barker Plummer aye
Joselyn Marroquin aye

Isabella T. Perez aye

Action: Minutes Approved.

5. **Public Comment on matters not on Today's Agenda** (2 minutes per comment)

No public comment.

6. **Committee Business** (discussion and action item)
   a. Ice-Breaker
      Question: If you were in a TV show, which show would it be?

   b. Review of the 22/23 BPPs

      The Committee reviews each BPP and notes important information and takeaways. Vice Chair Perez asked the reason why the remaining percentage of youths wouldn't support lowering the voting age in the 2016 survey.
      Commissioner Marroquin agrees and wants to tie Vote16 with post-high school courses and expectations.
      Commissioner Barker Plummer points out the facts and sciences that are cited in the BPP. Vice Chair Perez wants to see how the data can help with the Vote16 efforts. After reviewing the Vote16 BPP, Commissioner Barker Plummer goes over the rest of the CEEC BPPs.

   c. Education on Vote16

      Chair Alioto-Pier gives a presentation on the history of Vote16 and answers questions that arise. She asks the Committee to prepare and expand on their favorite talking point to present at the next meeting.

   d. CEEC-related News

      Commissioner Barker Plummer talks about his Op-Ed that he's writing for the B.A.R. and why it matters to the queer youth community. Chair Alioto-Pier offers to help him edit the piece. He also encourages the Committee to attend the Sunday Great Hauntway tabling event and the City Hall Trick-or-Treat event.

      The Committee wants the K2C program and the Department of Elections to come to a CEEC meeting. Joy will help coordinate those.

Vice Chair Perez is encouraging Commissioners to attend the iGNITE National event that's on November 2nd at the Main Library, where she then asks about the voter gender preference for Vote16. She is currently connecting with Breakthrough to see how the Youth Commission can help elevate the organization.

Chair Alioto-Pier is asking for the Department of Elections to come to a meeting to see how the Commission and the Department can collaborate on workshops for pre-registering young people.

The next meeting items will be goal-setting and brainstorming the timeline for Vote16, working on the 2-minute spiel for talking points, and looking into counterarguments.

7. **Announcements** (including Community Events)

Commissioner Marroquin is looking for volunteers to teach students chess.

8. **Adjournment**

There being no further business on the agenda, the Civic Engagement and Education Committee adjourned at 7:13 pm.

SCHOOLS & COMMUNITIES FIRST

Reporter Briefing

Table of Contents and Agenda

Introduction

SCHOOLS & COMMUNITIES FIRST WILL RECLAIM OVER $12 BILLION EVERY YEAR FOR SCHOOLS AND LOCAL COMMUNITIES.

Most of us want similar things: good schools for our children, a healthy family, and safe neighborhoods. But for more than four decades, big corporations have not been paying their fair share, leaving California's school funding falling behind. California now has the most overcrowded classrooms in the U.S. and some of the worst ratios of counselors, librarians, and nurses per student. Schools & Communities First ensures that our schools and communities come first – with the resources to educate all of our kids and the services to support all of our families. It closes commercial property tax loopholes benefiting a fraction of corporations and wealthy investors, without affecting homeowners or renters, and reclaims $12 billion every year to fund world-class schools and strengthen local economies to lift up all Californians. It's time to invest in California's future.

WHAT DOES SCHOOLS AND COMMUNITIES FIRST DO?

RECLAIMS over $12 billion per year for K-12 schools, community colleges, and local communities.

CLOSES commercial property tax loopholes and ends shady schemes that big corporations and wealthy investors use to avoid paying their fair share of property taxes.

PROTECTS all homeowners and renters by maintaining tax protections for ALL residential property.

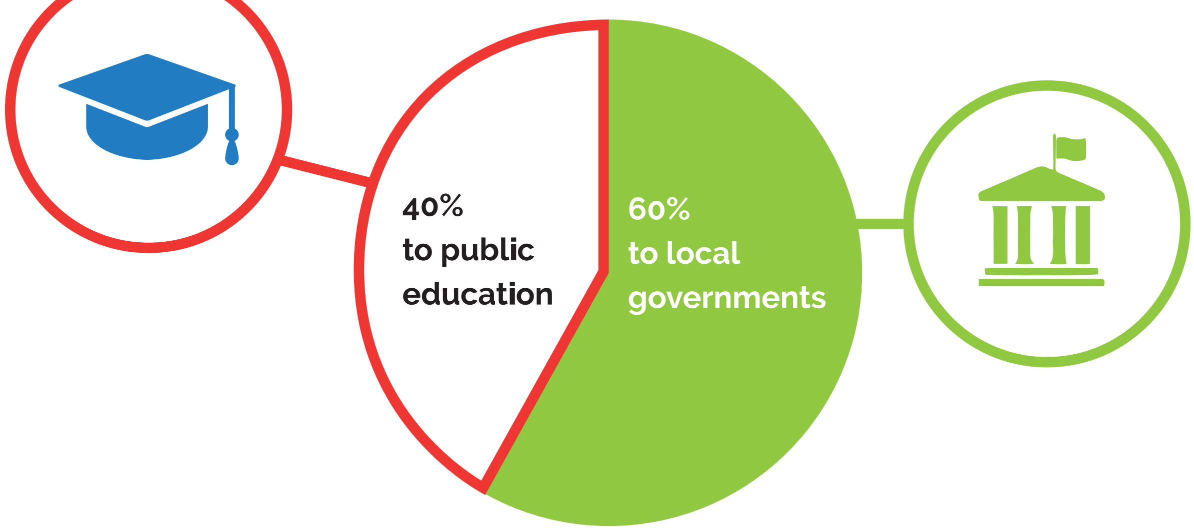
INVESTS in educating all of our kids and in the vital services necessary to support our families and communities.

PROVIDES one of the largest tax incentives in a generation to spur new investment in small businesses.

LEVELS the playing field for all the businesses that already pay their fair share.

ENSURES strict accountability so that money goes directly to our students and communities.

ALLOCATION OF FUNDS



Polling and Path to Victory

David Binder Research conducted a phone and on-line survey of likely November 2020 voters in California from December 2-8, 2019 for the Schools and Communities First (SCF) campaign. This is the first survey SCF has conducted since the Attorney General issued title and summary for the 2020 measure. Key findings of note:

- **Two-to-one advantage in the vote.** On the initial ask of title and summary, 58% of voters surveyed voted YES, and 29% voted NO. The YES side enjoys a 70 point lead among Democrats, 78% to 8%, and a commanding 31 point lead among No Party Preference voters, 61% to 29%.

- **Corporate taxes contribute too little to schools and local government.** When asked about corporations paying taxes to support schools and local governments, 50% say corporations pay too little, 19% say corporations pay about the right amount and just 8% say corporations are paying too much.

- **Corporate tax avoidance is a serious concern.** Nearly two thirds of voters (65%) are concerned by the following statement, including 39% who are "extremely concerned": *Public school teachers, nurses and the rest of us are paying more in taxes than big corporations like Chevron, Amazon and General Motors that are making billions in profits and paying nothing in taxes.*

- **Closing tax loopholes makes many voters more likely to support the measure.** Sixty-two percent (62%) of voters respond that the following statement makes them more likely to support the measure, including 40% who are MUCH more likely to support the measure: *The measure closes loopholes that allow some corporations and wealthy investors to avoid paying property taxes based on the fair market value of their properties.*

- **Voter education expands the YES vote margin.** Beyond the initial title and summary ask yields a winning 58%-29% margin for the measure, the margin increases to 63%-25% after respondents hear specific provisions of the measure, and settles in at 60%-27% after a battery of arguments for and against the measure.

In conclusion, findings from the survey reveal an electorate strongly aligned with the goals and provisions of the measure, a robust majority in support on the initial title and summary ask, and a resilient support base in the face of argumentation for and against the measured. The results leave the Schools and Communities First campaign confident of a winning path toward this critical step forward for California.

Policy Brief

How to Raise Billions for Schools and Services
by Reforming the Commercial Property Tax System

Policy Brief Summary

The California Schools and Local Communities Funding Act proposes a constitutional amendment that will:

- **Reclaim $12 billion for schools and local government by closing a huge property tax loophole that benefits large corporations and wealthy investors.**
- **Require the regular reassessment of some commercial and industrial properties at fair market value for property tax purposes and keep the 1% cap on the property tax rate to ensure that property taxes will continue to be among the lowest in the country.**
- **Maintain all Prop 13 protections for homeowners, rental properties and agricultural land.**
- **Protect small business property owners by excluding from reassessment properties under $3 million in market value when these properties are owned independently.**
- **Provide relief from the business personal property tax for ALL businesses by exempting the first $500,000 of fixtures and equipment, significantly benefiting small businesses.**
- **Direct at least $4.5 billion for schools toward all students, with a focus on high-need students, improving our educational system everywhere in the state.**
- **Provide cities with substantially increased revenue to spend on critical municipal services, including public safety, homeless services, parks and libraries, roads, infrastructure, and business improvements.**
- **Help counties to provide improved health and human services, emergency response services, roads and infrastructure, and have a stable source of their own revenue, controlled locally.**
- **Improve land use greatly, including increased housing and transit, reduced urban sprawl and decreased carbon footprint.**

The Problem

The system for assessment of commercial and industrial property is loophole-ridden, harmful to sound land use, housing, and new investment, and negatively impacts revenue for cities, counties, and schools. Not even the largest beneficiaries of the system—wealthy property owners and large corporations—can provide a rationale for its continuation.

A. Failed Fiscal Policy

Even with massive economic growth and a proliferation of new local taxes, tax revenue per capita for cities and counties has fallen from $790 per person to $640 since 1978, according to the Legislative Analyst's Office (LAO), generating fiscal stress on most local governments in the state. The property tax has shifted away from commercial/industrial to residential in virtually every county. Our infrastructure investment has declined because local governments cannot generate the revenue needed from the growth in land values, while fees and other taxes have gone up on ordinary citizens.

Public schools continue to struggle and still lag behind much of the nation despite new state revenue streams since 2012. Over the past 40 years, California has disinvested from public education, sliding from one of the top states to one that now ranks near the bottom. In 1978 when Proposition 13 passed, California ranked 14th out of 50 states in per student spending nationally. Yet, California now ranks 39th among all states in per student spending for K-12 education relative to the cost of living in California.

B. Loophole-Ridden System

Property tax assessment under Proposition 13 is based on a "change of ownership", which locks in assessment at the purchase price (plus 2% per year) and limits the tax rate for all properties to 1%. Intended to help homeowners, change of ownership is easily avoided by corporations and wealthy investors because of the complex ways commercial and industrial property is legally held, and cannot be reformed without

maintaining loopholes and inequities. For publicly-traded corporations, whose stock turns over regularly, change of ownership fails to trigger reassessment, unless those companies are fully bought out. For example, Chevron, Intel and IBM own land still assessed at 1975 values while nearby land is assessed at 50 times the value or more. For investor-owned property, complex ownership patterns using real estate investment trusts, LLCs, land leases, trusts and partnerships allow wealthy investors to avoid reassessment in many ways, on everything from industrial parks, offices, shopping centers and hotels to parking lots and mini-malls. Many of these investors are out of state or foreign.

C. Unfair to New Investment

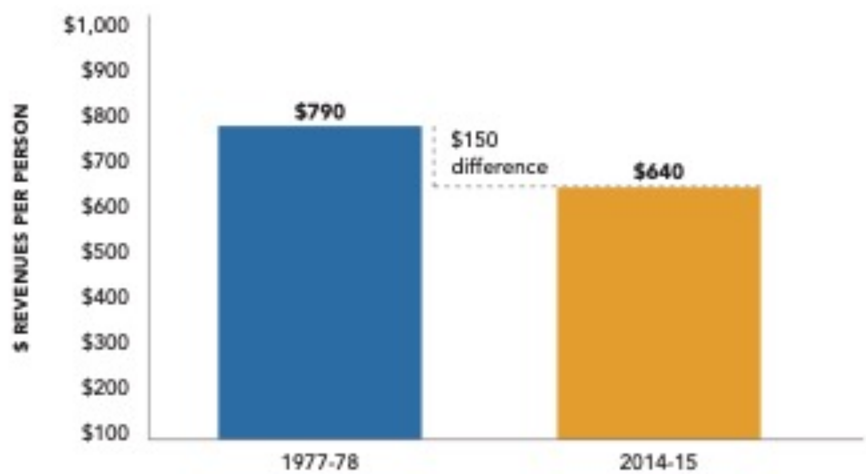
The current system taxes new investment heavily while failing to tax windfalls, the opposite of good economics. It holds land off the market, inflating land prices, which is bad for housing affordability and new investment. It is anti-competitive, as new businesses have to pay higher property taxes than their competitors, even though they are charging the same prices for their rents, products and/or services. Newer investors pay taxes on inflated market values and substantial fees and mitigations, while older commercial property owners who benefit from infrastructure growth and rising markets continue to pay on the old, outdated property values.

D. Works Against "Smart Growth" Land Use

The system has negative impacts on land use and the environment. The LAO and academic research shows that the system promotes keeping urban land vacant. It increases speculation and sprawl, the opposite of "Smart Growth". It drives up land prices that make housing less affordable. Important approaches to climate change and livability—increased density and transit—are discouraged by the current failure to tax commercial land appropriately.

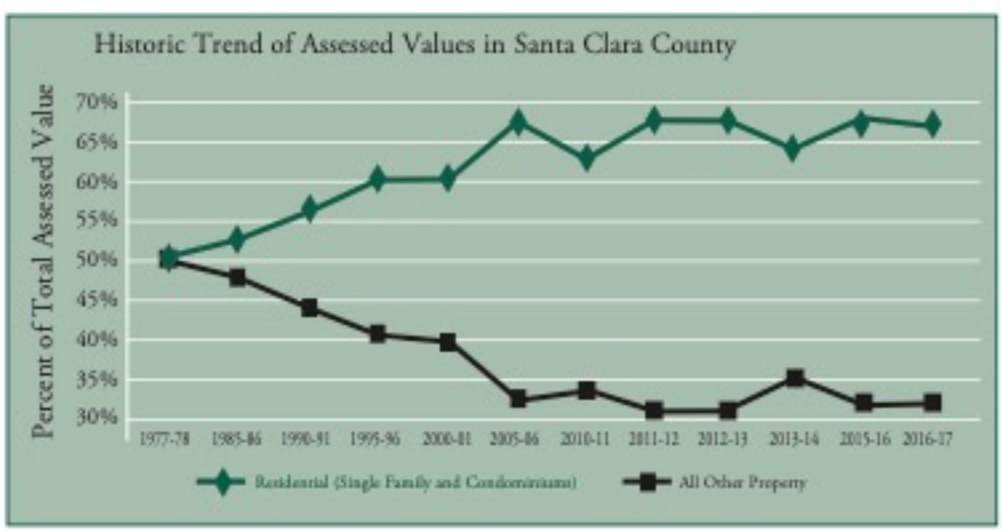
Decline in Cities/Counties Per Person Revenues,

1977 to 2014



Legislative Analyst's Office. September 2016. *Common Claims about Proposition 13.* http://lao.ca.gov/reports/2016/3497/common-claims-prop13-091916.pdf.

Property Tax Shift in 55 of 58 Counties



Office of the County Assessor. September 2016. 2016-2017 *Assessor's Annual Report.* https://www.sccassessor.org/edocman/AnnualReport2016_2017.pdf

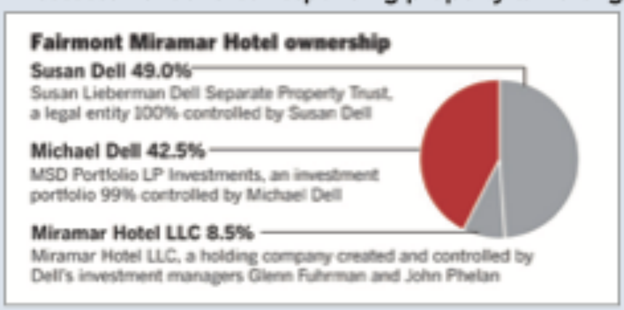
FAIRMONT MIRAMAR HOTEL
in Santa Monica

"Large corporate property owners have been among the law's biggest beneficiaries, thanks in part to loopholes such as the one Dell used… the tax burden has steadily shifted from businesses to homeowners."[1]

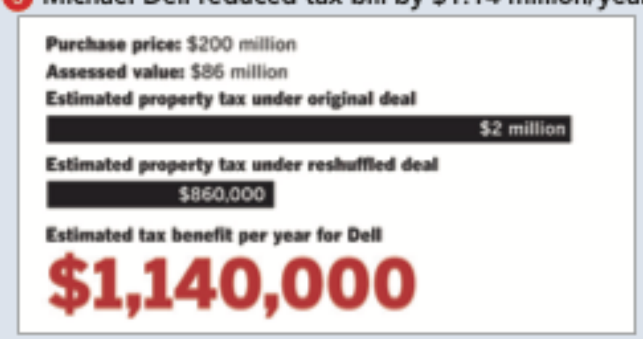
For the past 40 years, large corporate property owners have taken advantage of California's property tax system by exploiting loopholes and underpaying local schools and communities in needed tax revenue. One prominent example is that of billionaire Michael Dell's use of a loophole in the 2006 purchase of the Fairmont Miramar hotel in Santa Monica, resulting in a $1.14 million per year tax avoidance—totaling $16.8 million since 2006.

Here's how Michael Dell and his associates exploited the commercial property tax loophole:

1. Michael Dell paid $200 million for the Fairmont Miramar Hotel in Santa Monica hotel.
2. The deal is reshuffled to avoid a legal change in ownership by buying the company that owns the hotel, rather than the Miramar itself—avoiding reassessment and corresponding property tax change.



3. Michael Dell reduced tax bill by $1.14 million/year.



[1] *LA Times, "Opinion: Michael Dell: Poster boy for a Proposition 13 tweak", May 15, 2014.*

4. 2006-18: Dell's tax avoidance scheme has kept $16.8 million in total tax revenue from funding local schools and communities.

This tax avoidance scheme, which was ruled to be perfectly legal by a judge, is just one example of how corporations and wealthy land-owners have been taking advantage of California's unique commercial property tax system that has resulted in $12 billion per year in lost funding for our local schools and communities.

SHELL OIL COMPANY
in Carson

Oil extraction and production have played a pivotal role in the development of Southern California. The Shell Carson Distribution Complex, which was originally built in 1924 as a refinery, 44 years before the City of Carson was established, is greatly underassesed and illustrates how oil companies with a long legacy in California benefit from the current system.

Shell Oil owns over 400 acres of industrial land in Carson assessed between $3.40 and 3.60 per square foot. This property was last reassessed in 1975. Much of the land is vacant, and large sections are used for yard and warehouse storage. Recently purchased industrial land in the surrounding area is assessed as high as $50 per square foot, with other properties in the range of $25-40 per square foot. Even assuming the mid-point (approximately $25 per square foot for vacant land) between their current assessment and the highest in the area, Shell Oil would pay nearly $4 million more. If it were reassessed to the highest rate of similar industrial land in the area, Shell would pay $8 million more each year to benefit schools, parks and local services in Carson and LA County.

THE WALT DISNEY AND BURBANK STUDIOS in Burbank

Los Angeles' unique history as the home to major movie studios also places them in the spotlight with regard to commercial property tax disparity. Most of these multi-national companies are also multi-billion dollar enterprises, yet most pay property taxes based on old land values.

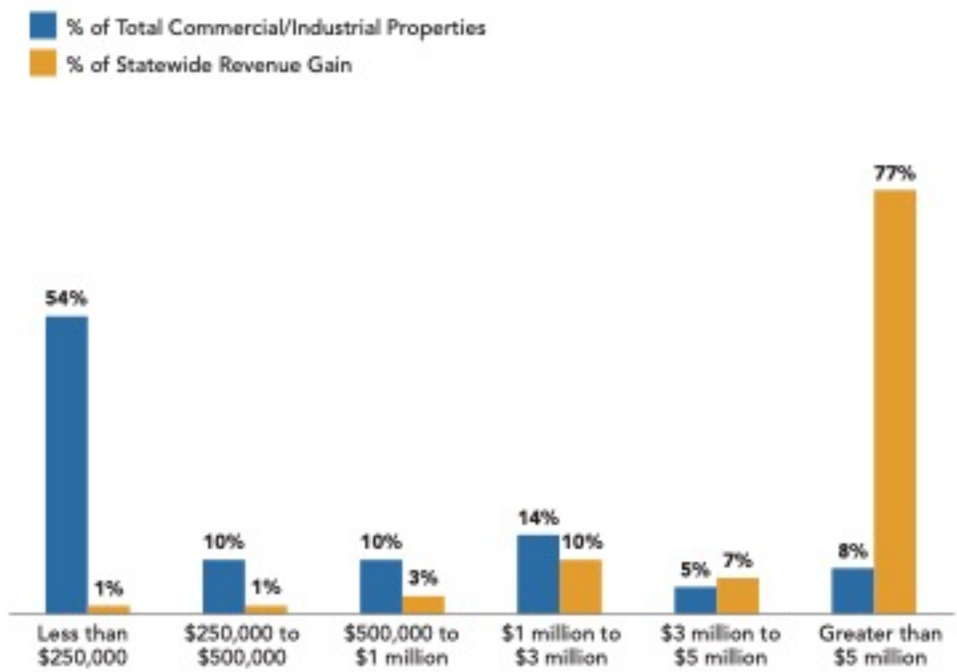
The Walt Disney Studios in Burbank sit on 43 acres of land assessed at 1975 land values, resulting in the loss of millions each year. The Disney Studios are assessed at \$5 per square foot, while the nearby Burbank Studios are assessed at \$180. If the Disney Studios and the Burbank Studios were similarly assessed, the owners would compete on a level playing field and restore \$3.5 million in additional revenue every year for schools and local services.

MALLS IN CORTE MADERA in Marin County

Marin County is a suburban area whose residents have some of the nation's greatest purchasing power as income per capita is one of the highest. Yet a few landowners who own retail space are not paying their fair share in local property taxes. In the City of Corte Madera, two neighboring malls of the same size serve the same consumers, but one is assessed radically less than its competitor.

The Town Center at Corte Madera, a 1.3 million square foot property owned by Heitman, a real estate management firm from Chicago, is assessed between \$13 and \$249 per square foot. Its neighbor, the Village at Corte Madera, a 1.3 million square foot property partly owned by Macerich, a publicly traded company from Santa Monica, is assessed between \$12 and \$46 per square foot. If The Village at Corte Madera was assessed like its competitor at \$249, it would pay \$3.6 million more in property taxes every year. If the Town Center was entirely taxed at \$249 it would also pay \$3.6 million more in property taxes.

Share of Total Number of Commercial/Industrial Properties and Share of Statewide Revenue Gain by Estimated Market Value, 2019



Source: USC PERE analysis of disparity ratios of commercial and industrial properties based on CoreLogic assessor roll data for 2016.

The Solution

This policy proposal will require a constitutional amendment to be approved by California voters in order to reform the system for assessment of commercial and industrial property.

A. Reassessment
The core component of this proposal is the reassessment of commercial and industrial property to market value on a periodic basis, as occurs nearly everywhere else in the country. **The current constitutionally mandated rate of 1% would remain unchanged.**

B. Protecting Residential and Agricultural Property
Periodic reassessment will only affect commercial and industrial property, NOT residential and agricultural property. The measure makes sure that no residential property will be impacted, using current use to protect residential and agriculture property from reassessment, and zoning for vacant land. No residential properties will be reassessed, whether rental residential (apartments and rental homes), homeowner or condominium owner, or mobile home. To the extent that any definitional questions are raised, the legislature is **required** to make certain by statute than no residential property will ever be affected. Mixed-use property is to be assessed based on proportion of commercial to residential footage and is likely to be exempt if it is predominantly residential. Open space and natural and scenic values are explicitly protected.

C. Phasing-In the New System

Since the system has not been changed in 40 years, a transition period will be necessary. The measure creates a task force to implement a phase-in timetable and process, working with assessors and the Board of Equalization, and requires that all start up and on-going costs shall be provided, to ensure a reasonable workload and implementation period for assessors. It then requires on-going assessment on a periodic basis, but no less than every three years, after initial reassessment is completed. There are many ways for the assessors to approach this work. For example, assessing the oldest properties and the largest properties first would generate substantial revenue while allowing smaller properties to be phased-in over a longer period.

D. Small Business Protections
1. Business Personal Property Tax Relief: The measure provides relief from the business personal property tax, providing an exemption of the first $500,000 for California businesses. This exemption helps the vast majority of businesses that lease but do not own their property, providing significant relief from a nuisance tax as well as financial relief to small businesses.

2. Small properties: Properties with value of $3 million or less will be excluded if they are independently owned and not part of chains or owned by larger investors.

E. Revenue Allocation
1. Local Government Share of Revenue: The proposal calls for revenue in each county to be allocated based on the current proportions of the property tax which go to the cities, counties, schools, and special districts. Except for the schools, the local jurisdictions in each county will receive the new revenue based on the share of the local property tax they currently receive. The measure leaves property tax allocation unchanged, because a combination of Proposition 13 (which puts property tax allocation in the hands of the legislature) and a subsequent constitutional measure (Prop 1A) control allocation.

2. School Share of Revenue: Because of the potentially great fiscal differences among school districts in richer vs. poorer areas, the school revenue generated in each county from the share of the property tax in each school district will be pooled statewide and protected for use solely by K-14 education. This incremental revenue will be over and above Prop. 98 formulas, so will not lower any state support for schools. To further address equity, it will be distributed based on the current Local Control Funding Formula. Basic aid districts, which are typically in the wealthiest communities, will receive what they previously would have received, plus at least $100 per student, a minimum that all districts will receive over and above current revenue.

3. Revenue Reimbursements: The state General Fund will be reimbursed against any losses resulting from an increase in commercial property tax deductions caused by reassessment, with the Franchise Tax Board to provide an estimate yearly. And assessors will be reimbursed from the new revenue for any increased costs of implementation. Revenue will be allocated to the newly-created school fund and to local districts after these General Fund reimbursements, which amount to very small percentage of total revenue.

F. Accountability to Taxpayers
All school districts and local governments receiving revenue from the measure will be required to prepare reports to provide accountability to taxpayers for the use of the incremental revenue from collections. The legislature shall develop a consistent method to calculate the incremental revenues received.

Impact

A. Projected Revenue

1. Statewide Revenue: The Legislative Analyst Office (LAO) estimates that the initiative will generate up to $12 billion every year. This amount will grow with economic growth. The reform will generate substantial revenue increases for all counties.

2. Schools: Schools and community colleges will receive 40% of the $12 billion in increased revenue yearly. This translates into between $15,000-$20,000 per classroom when fully implemented. Every school district will receive increased revenue for students in need based on the Local Control Funding Formula applied statewide, and Basic Aid districts that already meet their target funding level will also receive a minimum of $100 per student in additional revenues. All revenue will be in addition to and on top of current revenue guaranteed by Proposition 98.

3. Local Government: Cities, counties, and special districts will receive 60% of the $12 billion in increased revenues. Like all property taxes, revenues will be spent at local government discretion, for parks, libraries, public safety, capital outlay, health and social services, etc.

B. Who Pays?

1. Highest-Value Properties Pay the Most: The highest-value properties provide most of the revenue. 77% of the revenue comes from a small share of properties—that is, from properties estimated worth over $5 million, or 8% of commercial and industrial properties. These are mostly corporate-owned and wealthy investor-owned and have the lowest current assessment compared to market value. In contrast, nearly 75% of properties are worth under $1 million and generate only 5% of the total revenue.

2. Many Properties See Little Change: Many properties will see little or no impact. 46% of all commercial/industrial properties are within 30% of market value, with many of those close to or at market, and will pay little or no additional taxes as the measure phases in.

3. Oldest Properties Pay: Over 56% of the revenue comes from properties which were last reassessed before 2000. These include large corporate and investor-owned properties, many of which have not been reassessed since the 1970s and 1980s.

4. Most Value in Land, Not Buildings: Sixty percent (60%) of the revenue comes from the reassessment of land as compared to buildings and improvements. Buildings which are improved are currently reassessed while land may still be held at very old values. The differences in building values are nowhere near the disparities in land values, which can be as high as 100 to 1 in places where values have grown rapidly, such as Silicon Valley, San Francisco, and west Los Angeles.

5. Out of State Investors: Substantial amounts of the new tax revenue will be paid by out-of-state and foreign investors and the very wealthy. Large properties are often owned by Real Estate Investment Trusts and are publicly-traded on national and international exchanges, and foreign investors have seen California commercial property as a safe long-term investment. Corporate shareholders are widely distributed nationally and internationally and would pay much of the property tax. Owners of commercial property are far wealthier than most citizens, generally within the top 1% of earners.

C. Broader Benefits and Impacts

1. Relief from Fees and Local Tax Pressures: Increasing revenue from commercial property taxes eliminates pressures for additional local taxes and fees, which have grown considerably as a portion of local government expenses. Over time, citizens and businesses have borne many of these new taxes and fees because large property owners have paid so little.

2. Infrastructure Benefits: Because rising land values will be captured, the ability to finance infrastructure is greatly improved, particularly for transit, where new investments can recover costs from rising land values. The measure will increase the rate of payment of bonded indebtedness by expanding the tax base.

3. "Smart Growth" Benefits: Development which concentrates urban land use instead of promoting suburban sprawl and big-box retail will increase as underutilized, in-fill properties with high value but low assessments will be brought onto the market. Smart growth is a necessary part of combating climate change.

4. Regulatory Climate Will Improve for Business: The regulatory burden of fees and exactions put on new economic development will diminish, as cities have stronger fiscal incentives for new development and will be able to finance the costs of economic growth.

5. Affordable Housing: Low-density commercial strips will be available for higher-density housing. Local revenues from reassessment will enable cities to meet their local affordable housing obligations and address their homeless problems. The heavy fee burden on new housing development is likely to diminish. And the land use benefits will improve affordability for all types of housing.

6. Small Business Benefits: Every small business will benefit from the exemption of the first $500,000 of the business personal property tax, and for most, this tax will be completely eliminated. The exclusion of properties of $3 million or less also will provide significant relief to small business. Since many properties will face little or no increases, many businesses will have net benefits due to the elimination and/or reduction of the business personal property tax.

Frequently Asked Questions

What is Schools & Communities First?

Schools & Communities First (SCF) is a measure that will appear on the November 2020 election ballot.

What will SCF do?

SCF will reclaim $12B every year for California's schools and critical local services by closing a commercial property tax loophole that benefits a fraction of corporations and wealthy investors.

Who will be impacted by SCF?

A handful of the largest corporations and wealthy investors – like oil giant Chevron – that will no longer be able to take advantage of property tax loopholes to funnel money into their pockets and out of schools and local communities. **This ballot measure does not affect homeowners, renters, or agricultural land.** And it provides a small business tax incentive to spur new investment.

Where does the money go?

Roughly 40% of the funds will go to education (K-12 and Community Colleges) and 60% will go to our local communities (counties, cities, and special districts).

How do we know that the money will be spent on schools and local services?

The initiative requires annual public reporting of how the funds are distributed and spent, so the public can hold their elected officials accountable.

Why is SCF important?

For more than four decades, many wealthy investors and big corporations have not been paying their fair share, causing California's school funding to fall behind. California now has the most overcrowded classrooms in the U.S. and some of the worst ratios of counselors, librarians, and nurses per student. Meanwhile our local communities are on the front lines of big challenges like fire safety, housing and healthcare without the needed resources.

ALLOCATION

Why do we need the money?

Schools & Communities First ends decades of underinvestment by eliminating corporate tax loopholes that have been robbing our schools and local communities. Local government tax revenue per person has declined since 1978, despite years of economic growth, and lags behind the rest of the country in revenue growth. And schools now have less revenue per student than in most states.

How will the money be spent?

The funding for schools will be placed in a special education fund to supplement existing school funding guarantees and distributed based on LCFF (Local Control Funding Formula) guidelines to ensure the funding is distributed to school districts with students with the highest needs. The funding for local community services will be collected by the counties and distributed to local cities, counties, and special districts based on state law, and will fund critical local services such as fire services, parks, libraries, health clinics, housing and more.

Will giving more resources to schools actually make a difference in outcomes?

Absolutely. California's school funding has fallen behind due to devastating underinvestment: we're currently ranked 39th in the nation in per-pupil funding. The five states that are ranked the highest in educational performance spend, on average, nearly $5,600 more per student.

Are there school districts that won't benefit from this investment?

No. This initiative will help every single school district throughout the state, especially those most in need.

Will SCF fund public safety?

Schools & Communities First will increase funding for critical services that cities, counties and special districts provide, like first responders such as firefighters and emergency medical services. It's up to local communities to ensure that funding is directed to community needs.

How will SCF incentivize investment in low income communities?

It will improve land use and housing, provide more resources for local services, including public safety, and allow local governments to invest in business improvement districts and economic development.

Will the funding be used for pensions & salaries... instead of services?

SCF revenue will go to local schools and local governments to meet the needs of the communities - based on the current formulas for allocation. All of the money would be subject to strict oversight and public accountability.

Why aren't the lottery, Prop 30, and local measures enough to fund schools?

The lottery provides very little funding for schools. Prop 30 was a help, but mostly made up for huge losses from the recession. Local measures such as parcel taxes only exist in a few communities and do not provide funding statewide for schools. We need large commercial property owners and wealthy investors to pay their fair share so we can make real improvements in our schools.

Why do we need this if Sacramento has a surplus?

Relying on Sacramento surpluses and other volatile or temporary revenues won't provide a stable source of revenue. Because of commercial property tax loopholes, for more than four decades schools and local services have lost billions of dollars every year in funding. On top of that, from 2002 – 2012 our schools and safety net were hit with $20 billion in cuts. Our schools used to be 7th in per pupil spending, now we are 39th. Cities are struggling to build affordable housing. Health clinics and libraries have closed. Californians know that their local schools and neighborhoods are starved for funding. This initiative brings fairness to our tax code by making a small number of the wealthiest commercial property owners pay their fair share and creates a permanent, stable source of revenue.

PROPERTY & HOUSING IMPACTS

Does SCF affect homeowners or renters?

NO. Schools & Communities First completely exempts ALL residential property including homeowners, renters and hotels that have been converted into housing for low-income families, from any changes and maintains critical protections that are already in place.

Homeowners and renters will benefit greatly from increased investments in schools and vital local services.

How will SCF address the housing crisis?

The current system incentivizes commercial property owners to hold onto vacant properties instead of developing or selling it, adding to the housing crisis crunch. California has hundreds of miles of commercial sprawl which can be used for higher-density housing in our urban areas.

By closing this loophole, commercial property owners will have a reason to develop their land and create new housing, effectively driving prices down with the increase in supply. Additionally, local governments will have increased stable revenue to help fund affordable housing. It will also decrease the pressure on local governments to rely on development projects like auto malls and big box retail in order to generate sales tax revenue.

What qualifies as a "commercial" or "industrial" property?

The assessors have detailed categories for uses of property, specifically including commercial and industrial property of all types. The measure also defines commercial and industrial as distinct from residential, agricultural, or open space. It provides for using zoning as the way to classify vacant land as commercial or industrial.

How will SCF impact property values?

Investing in roads, schools, parks, and local services helps homeowners by increasing their property values, particularly in areas with diminished public services. It will also benefit new investors seeking land because more vacant land will be on the market, limiting current inflated costs for commercial land.

How will SCF impact mixed use property?

Mixed-use property is to be assessed based on the proportion of commercial to residential square footage in the overall property and is likely to be exempt if it is predominantly (75% or more) residential. The exemption for small properties valued at $3 million or less applies to the entire property value.

How will SCF impact farms and agricultural lands?

The Schools & Communities First measure exempts all agricultural land from reassessment that is used for producing commercial commodities or for agricultural production. It also exempts open space, so that farmland which is held without production would also be exempt. The legislature will decide by statute, or the Board of Equalization by regulation, with regard to any issues which need to be resolved.

How will SCF impact triple-net-leases?

Rents are determined by the market, not property values. This measure will primarily impact just a fraction of the large companies that have owned their land for decades. A small fraction of corporate landowners with property valued over $5 Million currently pocket nearly all of the revenue because of under-assessed property values. This simply levels the playing field for all businesses.

What about 2nd properties?

Properties which are residential in nature will be exempt from reassessment, whether used for short-term rentals, long-term rental, or owner-occupied.

BUSINESS IMPACTS

How will SCF impact small business?

Schools & Communities First exempts all small business commercial property owners whose property is worth $3 million or less. And by closing the commercial property tax loopholes, SCF will level the playing field for businesses that pay their fair share in our communities.

SCF also provides tax relief on the first $500,000 of business equipment and fixtures, which will significantly reduce or eliminate entirely the business personal property tax for California's small businesses. Overall, this presents a once in a generation opportunity to invest in and level the playing field for California's small businesses.

Will SCF cause small business rents to go up?

No. There is no relationship between rents and under-assessment. And the majority of properties are close to or at market value, so their taxes will not change by very much. With a phase-in, short-term leases will expire, and rents will be negotiated based on market conditions, as they always have.

Will this hurt small businesses?

Right now, California has a broken and anti-competitive property tax system where many small businesses are paying their fair share, while corporations benefit from property tax loopholes. Opponents will use small business as a cover for the large businesses that will be required to pay more. But small businesses will get tax relief on the business personal property tax and from the exclusion of commercia properties valued at under $3 million.

Will this hurt large employers?

No. Many new employers and investors are already paying fair market value on their property while others just get a windfall. California's total property taxes for these businesses will still be among the lowest in the country.

ECONOMIC IMPACTS

Will SCF increase prices for consumers?

No. Taxing businesses equally based on fair market value will level the playing field of competition, not cause an increase in prices.

Currently, wealthy corporations who unfairly take advantage of the current loophole don't sell items at a discount or charge lower rents — they just pocket the extra money for themselves. Has Chevron been passing its massive property tax savings on to Californians with unusually low gas prices? Of course not. Prices at retailers like Wal-Mart and Target are exactly the same (and the same online) wherever they are located and whatever their property tax payments are.

Will businesses move to other states to avoid paying their fair share?

NO, and this is a deceptive argument by opponents. Schools & Communities First maintains California's low property tax rate — 1% of assessed value, one of the lowest in the nation. It's important to remember that many of California's most profitable and innovative companies already pay fair market value. This initiative levels the playing field.

California is already a high tax state. Why do we need this change?

This is inaccurate: California's state and local business taxes are lower than the national average, lower than New York and Texas, and 37th in the nation, according to the US Chamber of Commerce – and will stay that way when SCF is implemented. However, when corporations avoid property taxes, individuals and small businesses pay more. Local governments have been forced to shift the tax burden onto working people in the form of parcel taxes, bond measures, sales taxes and extra fees for all kinds of services. By broadening the tax base by closing the loophole, local communities will be able to pay off existing bonds more quickly and provide tax relief to homeowners.

In fact, according to the CA Budget and Policy Center, the share of corporate income paid in state taxes has been falling for decades. Corporate net income rose from $24 billion in 1981 to $203 billion in 2015. Yet, over this same period, the share of this income paid in state corporation taxes fell from nearly 10% to 4.4%.

On top of that, corporations just received a windfall from Trump's Tax Plan which was a huge tax give-away to large corporations and the wealthiest households. CEOs and shareholders are pocketing more money than ever while inequality grows and our communities suffer. This measure just asks a handful of California's wealthiest commercial property owners and investors to finally pay their fair share.

Will SCF lead to job loss?

Schools & Communities First will lead to job creation and a stronger economy. Dr. Chris benner of UC Santa Cruz in a 2018 peer-reviewed study states that reform will lead to increased investment, better local land use decisions and increased funding for infrastructure in local communities, creating more high-paying jobs as a result. Investing in roads, schools, parks and local services helps homeowners by increasing their property values. Furthermore, the $12 billion reclaimed for schools and communities only represents a tiny fraction of our state's economy - less than a half of a percent.

This is a scare tactic by a handful of the largest, most-profitable out-of-state corporations that have the most to lose. Most small and medium sized businesses are either exempt or already paying their fair share.

IMPLEMENTATION

Won't this be hard to implement?

Nearly every other state in the country regularly assesses commercial property based on fair market value, meaning the Schools & Communities First initiative will finally bring California into the 21st Century.

We carefully thought about implementation in consultation with the Assessors, the Board of Equalization, and local officials. Schools & Communities First allocates funding for implementation, provides flexibility in roll out and will phase in implementation over the number of years that a state Task Force deems necessary.

SCF explicitly provides an outline for the changes. Namely:

- The measure makes sure that assessors have sufficient resources to ensure the success of the measure.
- Flexibility for local assessors to prioritize the relatively few older, larger properties that account for the vast majority of lost revenue.

Additionally, vast improvements in software and other technology have made assessments more efficient and cost-effective. Again, nearly every other state in the country regularly assesses commercial property at fair market value, so there's no reason that California can't do the same.

How often will the property taxes be reassessed, and how is that different from now?

Every 3 years. Again, this won't affect homeowners. Currently, all property in the state is assessed for tax purposes at its market value at the time of ownership change, generally the purchase price, plus an increase for inflation that is capped at 2% per year.

Will this create lawsuits?

Corporations and special interests that will be affected by this measure, finally having to pay their fair share for our schools and local communities, could resort to desperate tactics such as lawsuits. SCF has built in an expedited appeals process.

What % will the tax increase be on reassessed properties?

Some larger properties, such as Intel, WalMart, Chevron and other major corporations, will see increases on their land values when they are reassessed at fair market value. However, for these large businesses, the increased property taxes will be a drop in the bucket, important for our schools and services but hardly noticeable for these large companies, since it still will be at the 1% rate.

POLITICAL TOPICS

Who is supporting the Schools & Communities First initiative?

Schools & Communities First is comprised of a broad and growing coalition that is uniting every sector and region of the state. Our coalition includes over 400 endorsers including educators, community organizations, labor unions, small business owners, technology leaders, philanthropic foundations, elected officials, the California PTA, the Democratic Party and the League of Women Voters.

Who opposes this initiative?

The opposition to Schools & Communities First is funded by deep-pocketed special interest groups, including the Business Roundtable, Howard Jarvis Taxpayers Association, and California Taxpayer Association. These groups are the vehicle through which a handful of the largest out-of-state corporations and wealthy investors funnel their money using shady schemes as the expense of everyday Californians.

What's the difference between SCF and the CSBA measure? Are there other education props on the ballot?

Schools & Communities First is currently the only statewide education funding measure on the November 2020 ballot. Supporters of SCF have been organizing across California for years, have secured significant financial resources to run a top-tier statewide campaign and have demonstrated an unparalleled list of endorsements. SCF is the only initiative that is set to finally fix California's corporate tax loopholes that have robbed our schools and local communities out of billions in revenue. Schools & Communities First remains the most significant statewide ballot initiative on the 2020 ballot.

How is the polling?

Polling has consistently shown that a majority of Californians favor the Schools & Communities First initiative. When voters find out that a handful of big corporations and the wealthiest investors are robbing our schools and communities, they support our common-sense reform. A majority of California voters believe education and reinvestment in local communities are crucial issues facing the future of the state and this initiative ensures we invest in both.

The opposition is going to spend millions. Do you really think you can win?

Yes! The supporters backing the Schools & Communities First initiative is one of the strongest, most diverse, and powerful coalitions California has ever seen – and the statewide enthusiasm and organizational support has already been overwhelming the opposition. While the opposition and their corporate allies will spend millions against the initiative, Schools & Communities First will similarly spend millions in addition to outworking the opposition on the ground.

Why is this a Constitutional Amendment? Why can't this be passed by the Legislature?

Schools & Communities First would change the commercial property tax side of Proposition 13 which was a constitutional amendment passed in 1978. Constitutional amendments can only be changed by a majority vote of the people which is why it has to appear on the ballot.

Why did the campaign refile a new initiative when it was already qualified for the November 2020 ballot?

Schools & Communities First qualified early which gave the campaign time to get lots of feedback from stakeholders. After consideration, we re-filed with the following improvements in place:

- Improving the initiative for small businesses by increasing the exemption from reassessment on commercial property valued at $2 to $3 million
- Strengthening small business tax relief on fixtures and equipment
- Making sure this is something the Assessors can implement and that they have the funds to do so
- Tightening education finance language to ensure every school district receives funding equitably.
- Calibrating the implementation dates to adjust for November 2020 vs 2018 ballot.

Endorsements

EDUCATION
Parent Teachers Association (PTA) of California
Common Sense Kids Action
Grassroots Education Movement Silicon Valley
Environmental Charter Schools
Martha Matsuoka, Associate Professor Urban & Environmental Policy Institute Occidental College
Eric Mar, Assistant Professor, Asian American Studies, San Francisco State University
Charles Flower, Professor San Jose State University, Overfelt High School
Sue Tatro, Teacher Calero High School
Leslie Anne Conrotto-Tompkins, English Teacher, Yerba Buena High School
Elizandro Umana, Student Services Assistant, East LA Community College
Will Greer, Professor California State University, San Bernardino
Mojgan Vijeh, CFO, Ann Martin Center
Barbara Hansen, Retired Educator
Eileen Barrett, Professor, California State University, East Bay
Faculty Association of California Community Colleges (FACCC)

SENIORS
California Alliance for Retired Americans (CARA)
Long Beach Gray Panthers
San Francisco Gray Panthers

FAITH
PICO California
Bend the Arc, A Jewish Partnership for Justice
Congregations Organized for Prophetic Engagement (COPE)
Inland Congregations United for Change (ICUC)
People Acting in Community Together (PACT)
Faith in Action Bay Area
Faith in the Valley
San Diego Organizing Project
Orange County Congregation Community Organization
Greater Long Beach Interfaith Community Organization
LA Voice
Oakland Community Organizations
Sacramento Area Congregations Together
Placer People of Faith
True North
California Church IMPACT
New Life Christian Church of Fontana
Life Center Church
New Hope Missionary Baptist Church
First Congregational Church of Palo Alto, UCC
Rev. Dr. Eileen Altman, Associate Pastor, First Congregational Church of Palo Alto, UCC*
Rev. Damita Davis-Howard, Assistant Pastor, First Mt. Sinai Missionary Baptist*
Pastor Albert Hong, Associate Pastor, New Hope Covenant Church*
YWCA of Silicon Valley

LABOR
AFSCME
American Federation of Teachers
California Federation of Teachers
California Teachers Association
United Teachers of Los Angeles
Committee of Interns and Residents/SEIU Healthcare
UFCW Local 770
UPTE CWA 9119
United Teachers of Richmond CTA/NEA
Anaheim Secondary Teachers Association CTA/NEA
Morgan Hill Federation of Teachers – AFT 2022
Richmond Teachers Association
San Jose Teachers Association CTA/NEA
East Side Teachers Association CTA/NEA
Evergreen Teachers Association CTA/NEA
AFT Local 931
AFT Local 1078
United Educators of San Francisco
Oakland Education Association
Santa Ana Educators Association
Fresno Teachers Association
Hayward Education Association
IBEW Local 569
IFPTE Local 21
Teamsters Local 572
Communications Workers of American Local 9423
Warehouse Worker Resource Center
San Diego Building Trades Council
SEIU California
Unite HERE Local 11
Unite HERE Local 2850
The Federation of Retired Union Members (FORUM)
Benicia Teachers Association
AFSCME Council 57
Antioch Education Association
Acalanes Education Association
Fremont Unified District Teachers Association

PHILANTHROPY
The San Francisco Foundation
Silicon Valley Community Foundation
The Chan-Zuckerberg Initiative
East Bay Community Foundation
Liberty Hill Foundation
Northern California Grantmakers Association

HOUSING
Burbank Housing
California Coalition for Rural Housing
California Housing Partnership
Community Economics
Community Housing Improvement Program (CHIP)
East Bay Asian Local Development Corporation
East Bay Housing Organizations
East Los Angeles Community Corporation
Housing California
Little Tokyo Service Center
Non-Profit Housing Association of Northern California (NPH)
Rural Community Development Corporation of California (RCDCC)
Sacramento Housing Alliance
San Francisco Council of Community Housing Organizations
Southern California Association of Nonprofit Housing (SCANPH)
California YIMBY
William Pickel, Executive Director, Brilliant Corners

HEALTH
California Physicians Alliance
Human Impact Partners
Prevention Institute
Public Health Institute
Public Health Justice Collective
Center for Climate Change and Health
Berkeley Media Studies Group
Black Women for Wellness
Charles Bean, Executive Director, California IHSS Consumer Alliance
Asian Health Services

POLITICAL
League of Women Voters of California
The California Progressive Alliance
Indivisible CA: StateStrong
Indivisible East Bay
Inland Empowerment
Asian Americans and Pacific Islanders for Civic Empowerment
Orange County Civic Engagement Table

San Bernardino County Young Democrats
Mi Familia Vota
Wellstone Democratic Renewal Club
LA Forward
Sandra Fluke, Public Interest Attorney

SOCIAL JUSTICE

ACLU of Southern California
A New Way of Life
Alliance of Californians for Community Empowerment (ACCE)
Alliance San Diego
Advancement Project California
API Forward Movement
Asian Americans Advancing Justice Los Angeles
Bay Rising
BLU Educational Foundation
Building Blocks for Kids Richmond Collaborative
California Association of Nonprofits
California Calls
California Immigrant Policy Center
Californians for Justice
California Partnership
Causa Justa/Just Cause (CJJC)
Central Coast Alliance United for a Sustainable Economy (CAUSE)
Chinese Progressive Association (CPA)
Coalition for Humane Immigrant Rights (CHIRLA)
Coleman Advocates
Community Coalition
Communities for a New California (CNC)
Communities in Schools of Los Angeles
Courage Campaign
Dolores Huerta Foundation
East Bay Alliance for a Sustainable Economy (EBASE)
East Bay Asian Youth Center
East Bay for Everyone
Evolve California
Fathers & Families of San Joaquin
Filipino Community Center
Hmong Innovating Politics
Khmer Girls in Action
Inner City Struggle
Knotts Family Agency
Ladies of The I.E.
Latino Equality Alliance
Latinos United for a New America (LUNA)

Los Angeles Alliance for a New Economy (LAANE)
Los Angeles Community Action Network (LA CAN)
Long Beach Residents Empowered
Mid-City CAN
Movement Strategy Center
Mujeres Unidas y Activas
Oakland Rising
Partnership for the Advancement of New Americans (PANA)
Pillars of the Community
Progressive Asian Network for Action
Promesa Boyle Heights
Parent Voices Oakland
People Organizing to Demand Environmental and Economic Rights (PODER)
Policy Link
Power California
Public Advocates
Restore INK
Sacred Heart Community Service
Safe Return Project
San Francisco Day Labor Program/La Colectiva de Mujeres
San Francisco Rising
The Santa Clara County Wage Theft Coalition
Silicon Valley Rising
SOMOS Mayfair
South of Market Community Action Network (SOMCAN)
Strategic Action for a Just Economy (SAJE)
Strategic Concepts in Organizing and Policy Education (SCOPE)
Tech Equity Collaborative
Time for Change
Working Partnerships, USA

SMALL BUSINESS

Klein and Roth Consulting
Selma Dream
Charlie's Trees and Crafts
Petaluma Pie Company
Long Beach School of Music
Ali Akbar College of Music
The Linwood Project
The Pink Gypsy Bellydance
Domestic Divas and Dudes
Kadaya Photography
Law Office of Joel Freid
Jost Legal
Landed, Inc.
Iron Horse Vineyards

ENVIRONMENT

Alliance for Community Transit – Los Angeles
Asian Pacific Environmental Network (APEN)
California Environmental Justice Alliance Action
Center for Climate Change and Health
Climate Resolve
T.R.U.S.T. South LA
T.R.E.E LINK
The Utility Reform Network

2020 PRESIDENTIAL CANDIDATES

Senator Bernie Sanders
Senator Elizabeth Warren
Senator Kamala Harris
Former Texas Rep. Beto O'Rourke
South Bend Mayor Pete Buttigieg
Former Housing and Urban Development Secretary Julian Castro
Senator Cory Booker

LOCAL ELECTED OFFICIALS

City Mayors and Council Members
Libby Schaaf, Mayor of Oakland
Gabriel Quinto, Mayor of El Cerrito
David Glass, Mayor of Petaluma
Jose Gurrola, Mayor of Arvin
Peggy McQuaid, Mayor of Albany
John Keener, Mayor of Pacifica
Alexandra Medina, Mayor of Emeryville
Adrian Fine, Vice Mayor of Palo Alto
Nancy Shepherd, Mayor of Palo Alto (Ret)
Gayle McLaughlin, Mayor of Richmond (Ret)
Chris Rogers, Vice Mayor of Santa Rosa
Nick Pilch, Albany City Council Member
Sophie Hanh, Berkeley City Council Member
Kate Harrison, Berkeley City Council Member
W. Clarke Conway, Brisbane City Council Member
John Aguilar, Cathedral City Council Member
Alex Fisch, Culver City Council Member
Daniel Lee, Culver City Council Member
Rod Sinks, Cupertino City Council Member
John Bauters, Emeryville City Council Member
Gregorio Gomez, Farmersville City Council Member
Myrna de Vera, Hercules City Council Member (Ret)
Marqueece Harris-Dawson, Los Angeles City Council Member
Chris Rogers, Vice Mayor of Santa Rosa
Dan Kalb, Oakland City Council Member
Tom DuBois, Palo Alto City Council Member
Cory Wolbach, Palo Alto City Council Member (Ret)
Tim Rood, Piedmont City Council Member
Rishi Kumar, Saratoga City Council Member
Melvin Willis, Richmond City Council Member
Jovanka Beckles, Richmond City Council Member(Ret)
Michael Salazar, San Bruno City Council Member
Cecilia Valdez, San Pablo City Council Member (Ret)
Genoveva Calloway, San Pablo City Council Member (Ret)
Kevin McKeown, Santa Monica City Council Member
Terry O'Day, Santa Monica City Council Member
Jack Tibbetts, Santa Rosa City Council Member
Shelly Masur, Redwood City Council Member
Holli Thier, Tiburon Town Council Member
Mason Fong, Sunnyvale City Council Member

Harvey Logan, Vice Mayor of Sonoma
Michael Tubbs, Mayor of Stockton
Sergio Jimenez, San Jose City Council Member
Raul Peralez, San Jose City Council Member
County Supervisors
Sheila Kuehl, Los Angeles County Board of Supervisors
Sandra Fewer, San Francisco Board of Supervisors
Matt Haney, San Francisco Board of Supervisors
Rafael Mandelman, San Francisco Board of Supervisors
Susan Ellenberg, Santa Clara Board of Supervisors
John Leopold, Santa Cruz Board of Supervisors

STATE & FEDERAL ELECTED OFFICIALS

Senator Scott Weiner, 11th Senate District
Senator Holly Mitchell, 30th Senate District
Senator Nancy Skinner, 9th Senate District
Senator Connie Leyva, 20th Senate District
Senator Bob Wieckowski, 10th Senate District
Assemblymember, Kevin Mullin, 22nd Assembly District
Assemblymember Rob Bonta, 18th Assembly District
Assemblymember Kansen Chu, 25th Assembly District
Assemblymember Kevin McCarty, 7th Assembly District
Assemblymember Buffy Wicks, 15th Assembly District
Assemblymember Lorena Gonzalez, 80th Assembly District
Assemblymember Ash Kalra, 27th Assembly District
Speaker pro Tempore, Assemblymember Anthony Rendon
U.S. Congresswoman Karen Bass
U.S. Congressman Ro Khanna
Dave Jones, CA Insurance Commissioner (Emeritus)

SCHOOL BOARD OFFICIALS

Amber Childress, Alameda County Board of Education
Anne McKereghan, Alameda Unified School District (Ret)
Sara Hinkley, Albany Unified School District
Kim Trutane, Albany Unified School District
Joseph Barragan, Alvord Unified School District
Bob Laurent, Amador Unified School District
Debra Vinson, Antioch Unified School District (Ret)
Jeri Bible Vogel, Azusa Unified School District
Xilonin Cruz-Gonzalez, Azusa Unified School District
Sophia Layne, Cabrillo Unified School District
Jo A.S. Loss, Castro Valley Unified School District
Francisco Tamayo, Chula Vista Elementary School District
Brigitte Davila, President, City College of San Francisco
Alex Randolph, City College of San Francisco
John Rizzo, City College of San Francisco
Shanell Williams, City College of San Francisco
Tom Temprano, City College of San Francisco
Lorraine Prinsky, Coast Community College District
Kent Taylor, Colton Joint Unified School District
Jennet Stebbins, Delta Community College of San Joaquin
Pattie Cortese, East Side Union High School District
David Diaz, El Monte Union High School District
Marisa Hanson, Evergreen School District
Omar Torres, Franklin-McKinley School District (Ret)
Lois Locci, Gavilan Joint Community College District
Henry Lo, Garvey Elementary School District
Dr. Annette Walker, Hayward Unified School District
Kalimah Salahuddin, Jefferson Union High School District
Robert Garcia, Jurupa Unified School District
Jonathan T. Wright, Trustee, Martinez Unified School District
David Gerard, Morgan Hill Unified School District (Ret)
Amy Martenson, Napa Valley College (Ret)
Gregory Mack, Novato Unified School District
Ed Lopez, North Orange County Community College District
Jody London, Oakland Unified School District
Shanthi Gonzales, Oakland Unified School District
Nina Senn, Oakland Unified School District
Kimberley Beatty, Poway Unified School District
Dennis McBride, Redwood City School District
Carol Elliott, San Carlos School District
Roy Grimes, Sacramento City Unified School District
Mai Vang, Sacramento City Unified School District
Karina Talamantes, Sacramento County Board of Education
Barbara Flores, San Bernardino City Unified School District
Emily Murase, San Francisco Board of Education (Ret)
Mark Sanchez, San Francisco Board of Education
Brian Wheatley, San Jose Unified School District
Maurice Goodman, San Mateo County Community College
Jonathan Abboud, Santa Barbara Community College District
Peter Ortiz, Santa Clara County Board of Education
Jane Barr, Santa Cruz County Office of Education
Maria Leon-Vazquez, Santa Monica/Malibu Unified School District
Gina Cuclis, Sonoma County Board of Education
Bob Lawson, Vallejo City Unified School District
Madeline Kronenberg, West Contra Costa Unified School District
Lorien Cunningham, Cupertino Union School Board
Norma Alcala, Washington Unified School District

OTHER ELECTED OFFICIALS

Barbara Contreras Rapisarda, Pico Water District
Elizabeth Minter, Placentia Library District of Orange County

LOCAL GOVERNMENTS

San Francisco Board of Supervisors
Oakland City Council
Berkeley City Council
Albany City Council
El Cerrito City Council
Emeryville City Council
Albany Unified School District
Oakland Unified School District
Pasadena Unified School District
San Francisco Unified School District
San Jose Unified School District
Los Angeles Unified School District
Berkeley Unified School District
Jefferson Union High School District
Marin County Board of Education

Title and Summary

October 17, 2019
Initiative 19-0008 (Amdt. #1)

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

INCREASES FUNDING FOR PUBLIC SCHOOLS, COMMUNITY COLLEGES, AND LOCAL GOVERNMENT SERVICES BY CHANGING TAX ASSESSMENT OF COMMERCIAL AND INDUSTRIAL PROPERTY. INITIATIVE CONSTITUTIONAL AMENDMENT.

Increases funding for K-12 public schools, community colleges, and local governments by requiring that commercial and industrial real property be taxed based on current market value. Exempts from this change: residential properties; agricultural properties; and owners of commercial and industrial properties with combined value of $3 million or less.

Increased education funding will supplement existing school funding guarantees. Exempts small businesses from personal property tax; for other businesses, exempts $500,000 worth of personal property.

Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: Net increase in annual property tax revenues of $7.5 billion to $12 billion in most years, depending on the strength of real estate markets. After backfilling state income tax losses related to the measure and paying for county administrative costs, the remaining $6.5 billion to $11.5 billion would be allocated to schools (40 percent) and other local governments (60 percent).

SECTION 1. Title

This measure shall be known as "The California Schools and Local Communities Funding Act of 2020."

SEC. 2. Findings

(a) California is the fifth largest economy in the world, but if we don't invest in our future, we'll fall behind. To grow our economy and provide a better quality of life now, and for future generations of Californians, we need to do a better job of investing in our schools, community colleges, and local communities, and do more to encourage small businesses and start-ups.

(b) Our competitiveness begins with making children and their education a priority. Decades of cuts and underfunding have undermined California schools. A recent national study ranked the performance of California schools in the bottom half of all states. The top ranked states spend thousands of dollars more per student than California.

(c) California's funding shortfall has direct consequences for our kids: we're dead last in the nation in teacher-to-student ratios, last in guidance counselor to student ratios, and last in librarian-to-student ratios.

(d) The quality of life in our local communities is also critical to our economic future. It depends on streets that are safe and clean, emergency services we can count on, parks and recreation programs that keep our youth off the streets, and roads that are well maintained. Our cities, counties and local agencies are on the front line facing the consequences of the lack of affordable housing and increasing homelessness as well as worsening risks from wildfires and other disasters.

(e) Property taxes on commercial and industrial properties are a principal source of funding for our schools and local communities. While virtually every other state assesses commercial and industrial property based on its fair market value, California allows commercial and industrial property taxes to go many years, even decades, without reassessment. This unusual system is prone to abusive tax avoidance schemes, diverts funds away from schools and local communities, contributes to the shortage of affordable housing, distorts business competition, and disadvantages business start-ups.

(f) California's under-assessment of commercial and industrial properties is a growing problem. Large investors and corporations, many of whom are from other states and countries, are using a variety of schemes to get around the law and buy and sell properties without being reassessed, costing our schools and local communities billions of dollars.

(g) A recent study by the University of Southern California has found that under-assessed commercial and industrial property allows owners to avoid over $11 billion in local property taxes each year that should be going to support our schools and local communities.

(h) California's unusual commercial and industrial property tax system contributes to California's affordable housing crisis. Studies by the Legislative Analyst Office and the University of California have demonstrated that California's property tax system incentivizes owners to hold idle vacant and under-utilized commercial and industrial property. A reformed system, that assesses all properties based on their fair market value, would create a powerful new incentive to build new housing.

(i) Every commercial and industrial property owner benefits from local schools and services like public safety and infrastructure. It is unfair and anti-competitive that the property tax system forces some businesses to pay higher property taxes to support our schools and local communities while their competitors pay much lower property taxes because their properties are assessed far below their fair market value.

(j) California's unusual property tax system not only distorts competition, it discourages business investments. Under the current system, businesses that invest in improving their properties trigger reassessment and higher property taxes. But businesses that don't invest in improving their properties continue to enjoy the low cost of under assessment.

(k) A study done at the University of California demonstrates that reassessing commercial property will have a net positive benefit on jobs and the California economy.

(l) If we reformed California's under-assessment problem on business properties, California would still rank among the lowest states for business property taxes in the nation because of the California Constitution's provisions related to the 1% limitation on property tax rates.

(m) Thriving small businesses and start-ups are essential to California's economy now and for our future. The property tax on equipment and fixtures discourages new start-ups, small businesses and larger businesses from making new productive investments. By requiring under-assessed large properties to be assessed at fair market value, small businesses can be fully exempted from the property tax on equipment and fixtures and the tax can be substantially reduced for other businesses, removing this disincentive without harm to funding for our schools and local communities.

(n) Reassessing under-assessed commercial and industrial property in California would primarily impact a small number of properties owned by the largest corporations and wealthiest investors. Almost 80% of the tax benefits of the under-assessment allowed by the current system go to just 8% of the properties.

(o) The benefits to our schools, local communities and economy resulting from ending the under-assessment of commercial and industrial property can be achieved while protecting small businesses through exemptions and deferrals of reassessment and at the same time encouraging small businesses by creating a more level playing field and by eliminating the property tax on business equipment and fixtures.

(p) Reforming commercial and industrial property assessments to fair market value will result in a fairer system for our schools, our local communities and our businesses. All businesses will compete on a level playing field, generating billions of dollars in additional support for our schools and local communities.

SEC. 3. Purpose and Intent.

It is the intent of the People of the State of California to do all of the following in this measure:

(a) Preserve in every way Proposition 13's protections for homeowners and for residential rental properties. This measure only affects the assessment of taxable commercial and industrial property.

(b) Provide for increased and stable revenues for schools, cities, counties and other local agencies by requiring under-assessed commercial and industrial properties to be assessed based on their fair market value.

(c) Distribute the new revenues resulting from this measure to schools and local communities, not to the State.

(d) Ensure that the portion of any new revenues going to local schools and community colleges as a result of this measure is treated as new revenues that are in addition to all other funding for schools and community colleges, including Proposition 98.

(e) Guarantee every school district and community college will receive additional funding from this measure and that funds going to schools and community colleges are allocated in a manner that is consistent with local control funding formulas intended to advance equity.

(f) Ensure that any new revenues going to cities, counties, and special districts as a result of this measure will be allocated in the same manner as other property tax revenues, consistent with prior ballot measures approved by voters, to improve the quality of life in local communities in all parts of California.

(g) Make certain there is complete public transparency by requiring schools, community colleges, cities, counties, and special districts to publicly disclose the new revenues they receive and how those revenues are spent in a manner that is widely available and easily understood.

(h) Be very clear that this measure only applies to taxable commercial and industrial real property by including provisions stating that:

1) All residential property is exempt so homeowners and renters will not be affected in any way by this measure.
2) This measure makes no change to existing laws affecting the taxation or preservation of agricultural land.

(i) Make no change to Proposition 13's constitutional provisions relating to the 1% limitation on property tax rates for all taxable real property so local property taxes on commercial and industrial property will continue to be among the lowest in the country after this measure is approved by voters.

(j) Ensure stability for owners of small business properties by providing an exclusion for small commercial and industrial real property owners. The intent of this provision is to provide an exclusion that applies only to the true owners of small businesses and that large property owners shall be prevented from using the exclusion for their own benefit.

(k) Defer reassessments for properties in which small businesses account for 50% or more of the occupied space until the 2025-2026 lien date to provide those small business tenants additional time to choose the leasing option that works for them, recognizing that the impact of this measure will be different for each property, depending on how close the current assessment is to the fair market value and whether or not it qualifies for the small property exclusion for properties with a fair market value of $3 million or less.

(l) Encourage new and existing businesses to make new investments by eliminating the business tangible personal property tax on equipment and fixtures for small businesses and providing a $500,000 per year exemption for all other businesses. The Legislature may not reduce this exemption, but it may increase it.

(m) Provide greater equity in the taxation of commercial and industrial properties by assessing all of them based on their actual fair market value just like start-ups and new commercial and industrial properties that already are being assessed based on their actual fair market value. The intent is for all businesses to compete on a more level playing field and make sure all businesses are paying their share to support the schools and local communities from which they benefit.

(n) Require the Legislature, after conferring with a Task Force on Property Tax Administration, to provide by statute for the phase-in of reassessments of under-assessed commercial and industrial real properties so that county assessors may effectively implement the new law. Such phase-in will begin with the lien date for the 2022-23 fiscal year and occur over several years. Affected owners shall only be obligated to pay the taxes based on the new assessed value beginning with the lien date for the fiscal year when the assessor has completed the reassessment.

(o) Require the Legislature to ensure that the phase-in provisions provide affected owners of under-assessed commercial and industrial real properties reasonable time to pay any increase in their tax obligations resulting from this measure.

(p) Provide for the recovery of actual direct administrative costs incurred by counties to effectively implement the new law.

(q) Ensure that the General Fund and other funds of the State are held harmless by reimbursing the State for reductions in tax revenue caused by the deductibility of the property tax.

(r) Maintain the Board of Equalization's oversight over the property tax system to assure the public that assessments of commercial and industrial real property in every county are equitable and uniform as required by this measure, and to further ensure that the Board of Equalization provides statewide assistance as necessary to support the efficient implementation of this measure within all 58 counties.

SEC. 4. Section 8.7 of Article XVI of the California Constitution is added to read:

SEC. 8.7. (a) The Local School and Community College Property Tax Fund is hereby created in the State Treasury, to be held in trust, and is continuously appropriated for the support of local education agencies as that term is defined in section 421 of the Education Code as that statute read on January 1, 2020, and for the support of community college districts. The moneys deposited in the Local School and Community College Property Tax Fund shall be held in trust for schools, and shall be distributed as follows:

(1) Eleven percent (11%) of the moneys shall be allocated by the Board of Governors of the California Community Colleges to community college districts in proportion to the funding calculated for each district pursuant to the distribution formulas operative in statute as of January 1, 2020, or any successor statute, provided that property tax revenues calculated pursuant to section 84751 of the Education Code, or any successor statute, that exceed the total funding calculated for a district pursuant to the then-operative distribution formulas shall be subtracted from that district's proportionate share of the Local School and Community College Property Tax Fund.

(2) Eighty-nine percent (89%) of the moneys shall be allocated by the Superintendent of Public Instruction to school districts, charter schools and county offices of education as follows:

(A) To school districts and charter schools, in proportion to each school district's or charter school's total funding calculated pursuant to subdivisions (a)-(i), inclusive, of section 42238.02 of the Education Code, as those provisions read on July 1, 2019. Any school district or charter school that qualifies as a "basic aid school district" or "excess tax entity" under subdivision (o) of that section shall have subtracted from its proportionate share of the Local School and Community College Property Tax Fund the amount by which the sum calculated in subdivision (j) of that section exceeds the amount calculated pursuant to subdivisions (a)-(i), inclusive, as each of those provisions read on July 1, 2019.

(B) To county offices of education, in proportion to each office's total funding calculated pursuant to section 2574 of the Education Code as that section read on July 1, 2019.

(3) Notwithstanding the above, no school district or charter school shall receive from the Local School and Community College Property Tax Fund less than $100 per unit of average daily attendance, adjusted annually upward or downward by the same percentage that the Local School and Community College Property Tax Fund grew or declined from the previous year, and no community college district shall receive from the Local School and Community College

Property Tax Fund less than $100 per enrolled full time equivalent student, adjusted annually upward or downward by the same percentage that the Local School and Community College Property Tax Fund grew or declined from the previous year.

(b) Except as provided in paragraph (2) of subdivision (d) of Section 8.6 of this Article, notwithstanding any other law, the moneys deposited in the Local School and Community College Property Tax Fund shall not be subject to appropriation, reversion, or transfer by the Legislature, the Governor, the Director of Finance, or the Controller for any purpose other than those specified in this section, nor shall these revenues be loaned to the General Fund or any other fund of the State or any local government fund.

(c) Moneys allocated to local education agencies, as that term is defined in section 421 of the Education Code as that statute read on January 1, 2020, and to community college districts from the Local School and Community College Property Tax Fund shall supplement, and shall not replace, other funding for education. Funds deposited into or allocated from the Local School and Community College Property Tax Fund shall not be part of "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes" for purposes of paragraphs (2) and (3) of subdivision (b) of Section 8 of this Article or for purposes of Section 21 of this Article. Except as provided in subdivision (c) of Section 8.6 of this Article, revenues generated by Section 2.5 of Article XIII A shall not be deemed to be General Fund revenues which may be appropriated pursuant to Article XIII B for purposes of paragraph (1) of subdivision (b) of Section 8 of this Article, nor shall they be considered in the determination of per capita General Fund revenues for purposes of subdivisions (b) and (e) of Section 8 of this Article.

(d) Except as provided in subdivision (c) of Section 8.6 of this Article, revenues generated by Section 2.5 of Article XIII A shall not be deemed to be General Fund proceeds of taxes that may be appropriated pursuant to Article XIII B for purposes of Section 20 or Section 21 of this Article.

SEC. 5. Section 8.6 of Article XVI of the California Constitution is added to read:

SEC. 8.6. (a) The Legislature shall provide by statute a methodology, based on historical experience, for determining the additional revenue generated in each county each fiscal year as a result of the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A and the application of Section 2.5 of Article XIII A. The determination as to the amount of additional revenue in each county shall be transmitted to the county auditor annually for use for the calculations required by this section.

(b) After transferring the necessary funds pursuant to subdivisions (c), (d) and (e) and subparagraph (B) of paragraph (1) of this subdivision, all additional revenue resulting from the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A and the application of Section 2.5 of Article XIII A shall be allocated and transferred by the county auditor as follows:

(1) (A) First, to the Local School and Community College Property Tax Fund created pursuant to Section 8.7 of this Article, in an amount equal to the school entities' share of property taxes as determined pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on January 1, 2020.

(B) Prior to making the transfer pursuant to subparagraph (A) of this subdivision, the county auditor shall subtract an amount equal to the county's share of the increase in appropriations of State General Fund proceeds of taxes for the support of school districts and community college districts pursuant to Section 8 of Article XVI due to the revenue loss resulting from the exemptions provided by Section 3.1 of Article XIII, as determined by the Director of Finance. The county's share of additional State General Fund appropriations shall be transferred by the county auditor to the General Fund prior to the allocation specified in subparagraph (A) of this subdivision. The amount determined by the Director of Finance pursuant to this subparagraph shall for each fiscal year be apportioned by county in proportion to the revenue loss resulting from the exemptions provided by Section 3.1 of Article XIII.

(2) Second, among cities, counties, and special districts pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on January 1, 2020.

(c) The Franchise Tax Board shall determine the reduction to the General Fund and any other affected state fund of revenues derived from the taxes imposed by the Personal Income Tax Law (Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code) and the Corporation Tax Law (Part 11 (commencing with Section 23001) of Division 2 of the Revenue and Taxation Code), as those laws read on January 1, 2020, due to the deduction of any net increase in property taxes resulting from the implementation of Section 2.5 of Article XIII A and subdivision (a) of Section 3.1 of Article XIII. The amount of reduction as determined by the Franchise Tax Board shall be transferred by the county auditor to the General Fund and any other affected state fund prior to the allocation specified in subdivision (b). For purposes of making the determinations required by Section 8, 20 and 21 of this Article, the amount transferred to the General Fund pursuant to this subdivision shall be deemed to be General Fund revenues which may be appropriated pursuant to Article XIII B and General Fund proceeds of taxes appropriated pursuant to Article XIII B, and shall be included in the calculation of per capita General Fund revenues. The amount transferred pursuant to this subdivision shall for each fiscal year be apportioned among the counties in proportion to each county's contribution to the total additional revenue resulting from the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A and the application Section 2.5 of Article XIII A determined for all counties.

(d) (1) Each county or city and county shall be annually compensated for the actual direct administrative costs of implementing Section 2.5 of Article XIII A and Section 3.1 of Article XIII as identified by the board of supervisors of the county or city and county consistent with statutes identifying those costs. The Legislature shall determine by statute what constitutes actual direct administrative costs for purposes of this subdivision. Such costs shall at a minimum include the costs of assessment, assessment appeals, legal counsel, tax allocation and distribution, and auditing and enforcement of the provisions of Section 3.1 of Article XIII and Section 2.5 of Article XIII A. It is the intent of this subdivision to provide full adequate funding to counties to cover all costs associated with implementation of the Act.

(2) The Legislature shall determine by statute the initial start-up costs necessary for each county or city and county and the Board of Equalization to implement the Act and shall appropriate State General Fund monies to pay for such startup costs until sufficient funds are available to pay for all ongoing costs to implement the Act, at which time the statute shall provide for the State General Fund to be reimbursed.

(e) Each county or city and county shall annually be reimbursed for actual refunds of property taxes paid in the prior fiscal year as a result of corrections to assessments made pursuant to Section 2.5 of Article XIII A. The amount reimbursed pursuant to this subdivision shall for each fiscal year be subtracted from each county's contribution to the total additional revenue resulting from the application of Section 2.5 of Article XIII A as a result of the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A.

(f) All local education agencies, community colleges, counties, cities and counties, cities, and special districts that receive funds from the revenues generated by Section 2.5 of Article XIII A shall publicly disclose for each fiscal year, including in their annual budgets, the amount of property tax revenues they received for that fiscal year as the result of Section 2.5 of Article XIII A and how those revenues were spent. Such disclosure shall be made so that it is widely available to the public and written so as to be easily understood.

SEC. 6. Section 2.5 of Article XIII A of the California Constitution is added to read:

SEC. 2.5. (a) (1) Notwithstanding Section 2 of this Article, for the lien date for the 2022-23 fiscal year and each lien date thereafter, the "full cash value" of commercial and industrial real property that is not otherwise exempt under the Constitution is the fair market value of such real property as of that date as determined by the county assessor of the county in which such real property is located, except as provided by the Legislature pursuant to subdivision (b).
(2) Paragraph (1) of this subdivision shall not apply to residential property as defined in this section, whether it is occupied by a homeowner or a renter. Residential property as defined in this section shall be assessed as required by Section 2 of this Article. Paragraph (1) of this subdivision shall also not apply to real property used for commercial agricultural production as defined in this section. Real property used for commercial agricultural production as defined in this section shall be assessed as required by Section 2 of this Article.

(b) The Legislature shall establish a Task Force on Property Tax Administration immediately after this section is enacted, including a county assessor or designee, a Board of Equalization member or designee, a proponent of this Act or designee, a taxpayer representative, and a member of the Legislature or designee. The Task Force shall publicly convene immediately upon its creation to examine and recommend to the Legislature all statutory and regulatory changes necessary for the equitable implementation of this measure consistent with its purpose and intent. The Legislature, after conferring with the Task Force, shall provide by statute for the phase-in of the reassessment of commercial and industrial real property as required by paragraph (1) of subdivision (a). Any such phase-in shall provide for reassessment of a percentage of all commercial and industrial real properties within each county commencing with the lien date for the 2022-23 fiscal year and extending over two or more lien dates each fiscal year thereafter, in order to ensure a reasonable workload and implementation period for county assessors, including provision for processing and timing of assessment appeals. An owner shall first be obligated to pay the taxes based on the new assessed value beginning with the lien date for the fiscal year when the county assessor has completed the reassessment. The phase-in also shall provide taxpayers whose property has been reassessed a reasonable timeframe within which to pay any increase in taxes. After the initial reassessment of commercial and industrial real property pursuant to this subdivision, such commercial and industrial real property shall be periodically reassessed no less frequently than every three years as determined by the Legislature. Notwithstanding existing statutes, the Legislature shall, in consultation with county assessors, develop a process for hearing appeals resulting from the reassessment of properties pursuant to this section that is consistent with the following:

(1) The process shall not include automatic acceptance of the applicant's opinion of values within a given time-frame.

(2) The process shall impose on the taxpayer the burden of proof that the property was not properly valued.

(3) The process shall require the taxpayer to provide evidence relevant to any appeal in the initial application before the local assessment appeals board.

(4) The process shall ensure that decisions by local administrative hearing bodies such as assessment appeals boards, if subject to judicial review, are subject only to de novo judicial review on issues of law, while issues of fact, including valuation, shall be reviewed under the substantial evidence standard.

(c) For purposes of this section:

(1) "Commercial and industrial real property" means any real property that is used as commercial or industrial property, or is vacant land not zoned for residential use and not used for commercial agricultural production. For purposes of this paragraph, vacant land shall not include real property that is used or protected for open space, a park, or the equivalent designation for land essentially free of structures, natural in character to provide opportunities for recreation and education, and intended to preserve scenic, cultural, or historic values.

(2) "Mixed-use real property" means real property on which both residential and commercial or industrial uses are permitted.

(3) "Real property used for commercial agricultural production" means land that is used for producing commercial agricultural commodities.

(4)(A) "Residential property" shall include real property used as residential property, including both single-family and multi-unit structures, and the land on which those structures are constructed or placed.

(B) The Legislature shall provide by statute that any property zoned as commercial or industrial but used as long-term residential property shall be classified as residential for purposes of paragraph (2) of subdivision (a). For mixed-use real property, the Legislature shall ensure only that portion of the property that is used for commercial and industrial purposes shall be subject to reassessment as required by paragraph (1) of subdivision (a). The Legislature shall also define and provide by statute that limited commercial uses of residential property, such as home offices, home-based businesses or short-term rentals, shall be classified as residential for purposes of paragraph (2) of subdivision (a). The Legislature may provide for an exclusion from reassessment for the commercial share of mixed use property provided seventy-five percent (75%) or more of the property by square footage or value is residential.

(d) (1) Subject to paragraph (2) of this subdivision, upon reassessment pursuant to subdivisions (a) and (b) , each commercial and industrial real property with a fair market value of three million dollars ($3,000,000) or less shall not be subject to reassessment pursuant to paragraph (1) of subdivision (a) and shall be assessed as required by Section 2 of this Article. The amount specified in this paragraph shall be adjusted for inflation every two years commencing January 1, 2025, as determined by the State Board of Equalization. The State Board of Equalization shall calculate the adjustment separately for each county taking into consideration differences in average commercial and industrial market values among counties.

(2) Notwithstanding paragraph (1) of this subdivision, real property that would otherwise comply with the exclusion set forth in paragraph (1) of this subdivision shall be subject to reassessment pursuant to paragraph (1) of subdivision (a) if any of the direct or indirect beneficial owners of such real property own a direct or indirect beneficial ownership interest(s) in other commercial and/or industrial real property located in the State, which such real property in the aggregate (including the subject property) has a fair market value in excess of three million dollars ($3,000,000). The amount specified in this paragraph shall be adjusted for inflation every two years commencing January 1, 2025, as determined by the State Board of Equalization.

(3) All determinations of fair market value under this subdivision shall be determined by the county assessor of the county in which the property is located, and such determinations by the county assessor shall be conclusive and subject only to judicial review for abuse of discretion.

(4) In order to be eligible for the exclusion provided by paragraph (1) of this subdivision, the owner of the real property shall make a claim and certify annually to the county assessor under penalty of perjury that the conditions required by paragraphs (1) and (2) of this subdivision for exemption from reassessment have been met and shall be subject to audit by the county or the State as to that certification. The Board of Equalization shall have the authority to conduct any audits on behalf of the State.

(5) Any real property excluded from reassessment under paragraph (1) of this subdivision shall only be excluded from reassessment so long as it meets the conditions imposed by paragraphs (1) and (2) of this subdivision. If there is any change in the direct or indirect beneficial ownership of such real property, a new claim and certification must be made to the county assessor.

(6) Any appeals by taxpayers who are found not to be excluded from reassessment pursuant to paragraph (1) of this subdivision shall be subject to the process for hearing appeals as provided in subdivision (b).

(e) (1) Provided fifty percent (50%) or more of the occupied square footage of a commercial or industrial real property is occupied by a small business as defined in paragraph (4) of this subdivision, the provisions of paragraph (1) of subdivision (a) shall not take effect prior to the lien date for the 2025-26 fiscal year; provided, however, that if the Legislature establishes by statute pursuant to subdivision (b) that a real property qualified under this paragraph shall be reassessed on a lien date subsequent to the 2025-26 fiscal year, then such property shall be reassessed commencing on that subsequent lien date.

(2) In order to be eligible for the deferral provided by paragraph (1) of this subdivision, the owner of the property shall make a claim and certify annually to the county assessor under penalty of perjury that the conditions required by paragraph (1) of this subdivision for deferral from reassessment have been met and shall be subject to audit by the county or the Board of Equalization as to that certification.

(3) Any real property for which reassessment is deferred under paragraph (1) of this subdivision shall only be eligible for deferral so long as it meets the conditions imposed by paragraph (1) of this subdivision and if there is any change in the direct or indirect beneficial ownership of such real property, a new claim and certification must be made to the county assessor. Upon termination of the deferral, the property shall be subject to paragraph (1) of subdivision (a).

(4) For purposes of this subdivision, the term small business shall include only those businesses which meet all of the following conditions:

(A) The business has fewer than 50 annual full-time equivalent employees.

(B) The business is independently owned and operated such that the business ownership interests, management and operation are not subject to control, restriction, modification or limitation by an outside source, individual or another business.

(C) The business owns real property located in California.

(f) For purposes of this section the failure in any year to claim, in a manner required by the laws in effect at the time the claim is required to be made, an exclusion or classification which reduces or defers an assessment or reassessment shall be deemed a waiver of the exclusion or classification for that year.

(g) Using the methodology prescribed by the Legislature pursuant to subdivision (a) of Section 8.6 of Article XVI, the percentage change in gross taxable assessed valuation within a city, county, or a city and county used to calculate an entity's vehicle license fee adjustment amount pursuant to Section 97.70 of the Revenue and Taxation Code shall not include the additional assessed valuation that results from the application of this section.

(h) Notwithstanding Section 16 of Article XVI or any other law, the additional assessed valuation that results from the application of this section shall not be factored into to any division of taxes or calculation of growth for treatment as tax increment and shall not be diverted in any manner whatsoever.

SEC. 7. Section 3.1 of Article XIII of the California Constitution is added to read:

SEC. 3.1. (a) (1) For each taxpayer paying the tax on tangible personal property, including business equipment and fixtures, used for business purposes, either of the following shall apply:
(A) (i) For a taxpayer that is a small business, as defined in paragraph (4) of subdivision (e) of Section 2.5 of Article XIII A, all tangible personal property owned and used for business purposes is exempt from taxation.
(ii) A taxpayer shall make a claim and certify annually to the county assessor under penalty of perjury that the condition required by this subparagraph for exemption has been met and such claim shall be subject to audit by the county or the state as to that certification.
(B) Except for a taxpayer subject to subparagraph (A) of paragraph (1) of this subdivision, an amount of up to five hundred thousand dollars ($500,000) of combined tangible personal property and fixtures, per taxpayer, is exempt from taxation.
(2) Aircraft and vessels shall not be subject to this exemption.
(3) The Legislature shall not lower the exemption amounts provided by this subdivision or change their application, but may increase the exemption amount specified in subparagraph (B) of paragraph (1) of this subdivision consistent with the authority enumerated in Section 2 of this Article.

(b) The Legislature shall provide by statute that all related entities, including but not limited to any subsidiaries, holding companies, or parent corporations, are considered one "taxpayer" for the purposes of this section.

SEC. 8. Section 16 of Article XIII B of the California Constitution is added to read:

SEC. 16. (a) For purposes of this article, "proceeds of taxes" shall not include the additional revenues generated by Section 2.5 of Article XIII A.

(b) For purposes of this article, appropriations subject to limitation of each entity of government shall not include appropriations of the additional revenues collected as a result of the implementation of Section 2.5 of Article XIII A.

SEC. 9. Effective Date.

This measure shall become operative on January 1, 2022, except that subdivision (a) of Section 3.1 of Article XIII shall become operative on January 1, 2024, and subdivision (d) of Section 8.6 of Article XVI and subdivision (b) of Section 2.5 of Article XIII A shall become operative immediately upon passage of this measure.

SEC. 10. Severability

The provisions of this Act are severable. If any portion, section, subdivision, paragraph, clause, sentence, phrase, word, or application of this Act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this Act. The People of the State of California hereby declare that they would have adopted this Act and each and every portion, section, subdivision, paragraph, clause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any portion of this Act or application thereof would be subsequently declared invalid. Notwithstanding the foregoing, Section 7 of this Act is non-severable from Section 6 of this Act.

SEC. 11. Liberal Construction

This Act shall be liberally construed in order to effectuate it purposes as articulated in Section 3 of this Act.

Question and Answer