

About the California Schools and Local Communities Funding Act of 2020

Official summary from the office of the California Attorney General:

“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.”

Key benefits of the ballot measure:

1

Reassessment of Commercial/Industrial Property Only:

The reassessment of only commercial and industrial property to fair market value is the cornerstone of the initiative. Reassessments will be conducted on a regular, ongoing basis, and are estimated to generate as much as \$12 billion annually in new revenues when fully implemented, not including small business exemptions outlined below.

2

Residential Properties and Agricultural Land are Exempt:

No residential properties will be reassessed, whether rental residential (apartments and rental homes), homeowner or condominium owner, or mobile home. It exempts all agricultural land from reassessment 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. Mixed-use property is to be assessed based on proportion of commercial to residential footage. Our measure allows the legislature to exempt the commercial portion of mixed-use properties if the properties are predominantly residential (75% or more).

3

Education Share:

40% of the revenue goes to schools, with 89% of this dedicated to K-12 and 11% for Community Colleges.

New School Revenues Over Prop 98:

New revenues will be pooled statewide and deposited into the Local School and Community College Property Tax Fund to ensure that the local schools and community colleges portion of new revenues is considered additional to all other funding, over and above the Proposition 98 guarantee.

New School Revenues to Advance Equity:

The school share of new revenues will be allocated to advance social equity according to the local control funding formulas for all schools, which provide additional funding for districts with large populations of low-income students, English-learners, and foster youth.

Basic Aid School Districts:

In order to assure that all school districts benefit from this reform, Basic Aid School Districts (which receive sufficient local property tax revenue to meet their target funding level under state law) will receive as much as they would have under current law and at least \$100 per unit of average daily attendance in addition from the new revenues. Similarly, community college districts shall receive no less than \$100 per enrolled full-time equivalent student.

Paid for by Schools and Communities First - Sponsored by a Coalition of Social Justice Organizations

Representing Families and Students. Committee major funding from:

Chan Zuckerberg Advocacy (Nonprofit (501(c)(4))

The San Francisco Foundation

California Teachers Association

Funding details at <http://fppc.ca.gov>

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4

New Revenues for Local Government:

60% of the new revenues go to cities, counties and special districts and will be allocated in the same manner as property tax revenues are currently allocated, with no changes in the proportions between local government entities. Like all property taxes, revenues will be spent at local government discretion, for parks, libraries, public safety, capital outlay, health and social services.

5

Expenditure Transparency:

Public disclosure is required by all entities (i.e., local education agencies, community colleges, counties, cities and counties, cities and special districts) on an annual basis as to how new revenues from this measure are spent. The measure mandates that public disclosures be widely available to the public and written in a manner that is easily understood.

6

Expanded Small Business Relief:

The new measure contains modified and expanded provisions to protect small businesses:

Exemption for small properties:

Properties with a market value of \$3 million or less will be exempted from reassessment, unless the property owner holds a direct or indirect interest in other properties in the state which together have a cumulative total market value of over \$3 million, in which case, all properties will be reassessed. Small property owners will claim this exemption annually through a certification filed with their County Assessor under penalty of perjury.

7

Business Personal Property Tax on Equipment and Fixtures:

An exemption is to be provided from the Business Personal Property Tax on up to \$500,000 of fixtures and equipment for all businesses. This exemption helps the vast majority of businesses that lease but do not own their property. It will take most small businesses off the business personal property tax rolls and provide financial relief from a nuisance tax.

8

Expanded Phase-In and Assessor Provisions:

Since the system has not been changed in 40 years, a transition period will be necessary. The measure creates a Property Tax Administration Task Force comprised of County Assessors, the Board of Equalization and others to work with the Legislature to implement a phase-in timetable to develop plans for implementation. It calls for start-up costs to be advanced by the Legislature to County Assessors and full compensation from revenues generated by the measure of administrative costs, including costs of the Assessors' Offices, to implement the new system. It provides for statewide oversight by the Board of Equalization. It also directs the Legislature to consult with Assessors to develop a phase-in approach that begins in the 2022-23 fiscal year, and extends over 2 or more years, allowing for reasonable workload, including an expedited process for hearing appeals. The phase-in period also applies to property owners to provide them a reasonable timeframe within which to pay any increase in taxes. After the initial reassessment is completed, all commercial and industrial property will be periodically reassessed no less frequently than every 3 years as determined by the Legislature.

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