

SCHOOLS & COMMUNITIES FIRST
SUMMARY OF CHANGES TO BALLOT LANGUAGE
August 12, 2019

Schools & Communities First, a ballot measure to generate \$11 billion annually in new revenues for K-12 public schools, community colleges and local governments, qualified last year for the November 2020 general election ballot. On August 13, 2019, the campaign will file the measure with new, improved language based on feedback from stakeholders around the state. Signature gathering will soon begin to assure placement of the new ballot measure for the November 2020 ballot. Upon qualification, the earlier version will be withdrawn. You can read the full new text on the Attorney General's website. Here are key highlights:

WHAT REMAINS THE SAME?

1. Reassessment of Commercial/Industrial Property: The reassessment of 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 \$11 billion annually in new revenues when fully implemented, not including small business exemptions outlined below.
2. No Reassessment of Residential Properties or Agricultural Land: This measure continues all current (Proposition 13) protections for homeowners, residential rentals and agricultural land.
3. New School Revenues Over Prop 98: New revenues will be directed to the Local School and Community College Property Tax Fund to ensure that the portion of any new revenues for local schools and community colleges is considered additional to all other funding, over and above the Proposition 98 guarantee.
4. 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 and community colleges.
5. New Revenues for Local Government: New revenues for cities, counties and special districts will be allocated in the same manner as property tax revenues are currently allocated, with no changes in the proportions between local government entities.
6. 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.

WHAT IS REVISED IN THE NEW MEASURE?

1. Expanded "Findings" and "Purpose and Intent" Sections: These introductory sections to the revised measure include more explanatory language that highlights the need for California to reinvest in our schools, community colleges and local governments; and to create a more equal playing field for all businesses by reassessing those who do not currently pay their fair share.
2. Basic Aid School Districts: In order to assure that all school districts benefit from this reform, the new measure clarifies how the new revenues will be allocated to Basic Aid School Districts, typically found in wealthier communities. Basic Aid School Districts (which receive sufficient local property tax revenue to

meet their target level under state law) will receive at least \$100 per unit of average daily attendance., Similarly, community college districts shall receive no less than \$100 per enrolled full-time equivalent student.

3. Date Adjustments: The implementation dates for reassessment have been shifted to 2022-2023 to accommodate the November 2020 (rather than November 2018) election. In addition, the implementation date for the business personal property tax exemption (described below) has been set for 2024, providing one additional year for new revenues to ramp up before this exemption applies.
4. Zoning Clarification: Clarification that any property used as residential property, even if zoned as commercial/industrial, will be classified as residential and not subject to reassessment. The new measure also allows limited use of a residential property for a commercial purpose (e.g., home office) to not be subject to reassessment.
5. Expanded Small Business Relief: The new measure contains modified and expanded provisions for protecting small businesses from potential negative impacts of reassessment:
 - a. Exemption for small properties: Properties with a market value of \$3 million or less shall 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 the Assessors under penalty of perjury.
 - b. Small Business Deferral of Reassessment: If 50% or more of the square footage of a commercial/industrial property is occupied by small businesses (see definition below), the reassessment will be delayed until the 2025-26 fiscal year, or later if authorized by the Legislature. This must also be annually certified under penalty of perjury.
 - c. Small Business Definition: A business with all of the following conditions will be considered a small business:
 - i. 50 or fewer FTE employees in the state;
 - ii. The business is independently owned and operated
 - iii. The business is located in California
 - iv. The owner and officers of the business are residents of the State
 - v. The business is not dominant in its field of operations such that it can exercise a controlling or major influence statewide in the field of operation
6. Revised Business Personal Property Tax on Equipment and Fixtures: An exemption is to be provided from the Business Personal Property tax up to \$500,000 for all businesses, and a complete exemption for small businesses that meet the definition above.
7. Expanded Phase-In and Assessor Provisions: The revised measure provides for compensation from revenues generated by the measure of administrative costs, including costs of the Assessors Offices, to implement the new system. 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 who shall have a reasonable timeframe within which to pay any increase in taxes. After the initial reassessment is completed, all commercial and industrial property shall be periodically reassessed no less frequently than every 3 years as determined by the Legislature.