Prop 15 - An Overview

Yes on 15

SCHOOLS & COMMUNITIES FIRST

What it the reason for Prop 15?

Proposition 15 is a ballot proposition to restore lost revenue from property tax that has developed through largely unintended loopholes in Prop 13:

- Business and residential areas are supposed to have property assessed for value upon resale
- Businesses can often avoid this reassessment through loopholes (example on next slide)
- The current system over the last 32 years has been steadily shifting the average tax burden to individuals and small businesses from large corporations.
- In 1977 (the year before Prop 13) California was 7th in the country on per student school spending. We are now 39th.

Tax Loopholes:

Intended to help homeowners, change of ownership is easily avoided by corporations and investors because of the complex ways commercial and industrial property is legally held such as investment trusts, LLCs, land leases, trusts and partnerships.

For publicly-traded corporations, whose stock turns over regularly, change of ownership fails to trigger reassessment, unless those companies are fully bought out.

One example of a loophole is 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. Michael Dell paid $200 million for the Fairmont Miramar Hotel in Santa Monica hotel. The deal avoided a legal change in ownership by first buying the company that owns the hotel, rather than the Miramar itself. No reassessment and corresponding property tax change occurred.

How Would Prop 15 Work?

- It would not affect residential properties **at all**
- It would not affect agricultural land properties
- It would not affect small businesses valued at less than $3 million that are independently owned
- Prop 15 **would require** that large businesses be reassessed periodically
- Prop 15 would **not** remove the 1% property tax cap from any group

How would this help Palomar College:

The Legislative Analyst Office (LAO) estimates that the initiative will generate up to $12 billion every year. <u>$500 million of that is estimated to go to community colleges. Which works out to about $5 million to Palomar College.</u>

Schools: Schools and community colleges will receive 40% of the $12 billion in increased revenue yearly.

- Every school district will receive increased revenue for students in need based on the Local Control Funding Formula applied statewide
- Basic Aid districts that already meet their target funding level will also receive a minimum of $100 per student in additional revenues.
- <u>All revenue will be in addition to and on top of current revenue guaranteed by Proposition 98. The Prop 98 guarantee is a *minimum* amount of funding guaranteed.</u>

"Community colleges provide Californians with pathways to success, and the Schools & Communities First initiative will ensure such opportunities may continue unabated," said Larry Galizio, President & CEO of the Community College League of California.

Other than K-14 schools, where else would the money go?

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, capital outlay, health and social services, etc.