



# Santa Clara Valley Water District

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**File No.:** 20-0566

**Agenda Date:** 8/11/2020

**Item No.:** 2.6.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

California Proposition 15, Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative Presentation by Santa Clara County Assessor Larry Stone.

### **RECOMMENDATION:**

Receive information on California Proposition 15, Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative presentation by Santa Clara County Assessor Larry Stone.

### **SUMMARY:**

Santa Clara County Assessor Larry Stone contacted Valley Water requesting to present on California Proposition 15. The proposition would increase funding for K-12 public schools, community colleges, and local governments by requiring commercial and industrial real property be taxed based on current market value. According to the California Legislative Analyst (LAO), this initiative exempts residential properties, agricultural properties, and owners of commercial and industrial properties with a combined value of \$3 million or less. The increased funding will supplement existing school funding guarantees. Additionally, this initiative exempts small businesses from personal property tax and for other businesses, exempts \$500,000 worth of personal property. The LAO and Director of Finance's summary on the fiscal impact to state and local governments will result in a 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). As a result, it is expected that Valley Water would see increased annual revenue should Proposition 15 pass by a vote of the electorate, as detailed below.

### *Impacts on Valley Water*

As Valley Water is funded in part by revenues raised through property taxes, mainly for flood protection operations, changes to the property tax funding formula would have a significant impact. A report by the "Yes on Prop 15" campaign conducted by Blue Sky Consulting indicates an estimated increase of \$19,431,000 in FY 2021-2022 in property tax revenues. However, staff has not conducted its own analysis of the impacts of Proposition 15 and cannot confirm those numbers.

According to the “No on Prop 15” campaign, a study by Berkeley Research Group, LLC (BRG) “Taxing Commercial and Industrial Property at Full Market Value: An Economic Impact Assessment,” increases in property taxes would reduce new business formation, personal income, industrial output, and employment.

Staff will provide a full analysis of Proposition 15 at a later date with a recommended position from the Board.

**FINANCIAL IMPACT:**

There is no financial impact associated with this item.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonable foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

None.

**UNCLASSIFIED MANAGER:**

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