



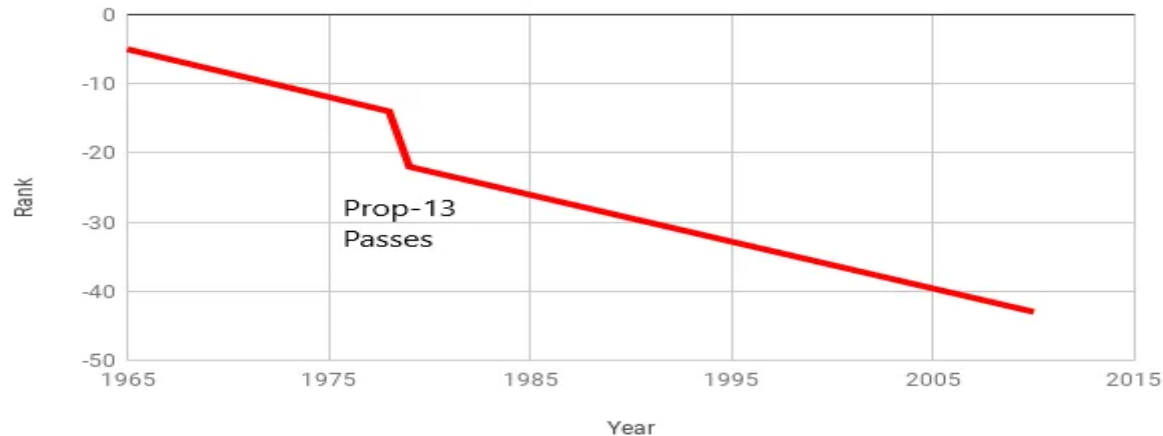
Overview of Parcel Tax Funding

July, 2023

Proposition 13 – caps local school funding

- In 1978 California voters approved Proposition 13, amending the California Constitution and severely constraining local school funding.
 - Limited the amount of ad valorem tax increases – placed a cap.
 - Changed the law to require a supermajority – a 2/3rd majority of **66.667%** voter approval necessary for cities and school districts to impose special taxes, including parcel taxes.

California Per-Pupil Spending



School Sources of Voter Approved Local Funding:

- **Mello Roose Special District** - Creates a Community Facility (CCF) tax district within a specific geographical area to fund infrastructure improvements or services.
 - Requires 2/3 voter approval.
 - Because it serves as a type of lien that attaches against real property, it is generally opposed by Realtors and Developers. Used to repay debt on a capital project.
- **Sales Tax** – Exceedingly hard to pass, only SFUSD was successful in ever passing one. Requires 2/3 voter approval. There are significant caps by State, Prop 13.
- **Bond Measures**
 - Prop. 39
 - Subject to a Bond Oversight Committee
 - Requires 55% Voter Approval
 - Non-Prop. 39
 - Requires 2/3rds Supermajority – No BOC needed

Difference between a Bond and a Parcel Tax?

The easiest way to remember the difference between the two is that **Parcel taxes are for Programs and People. Bonds are for Buildings.**

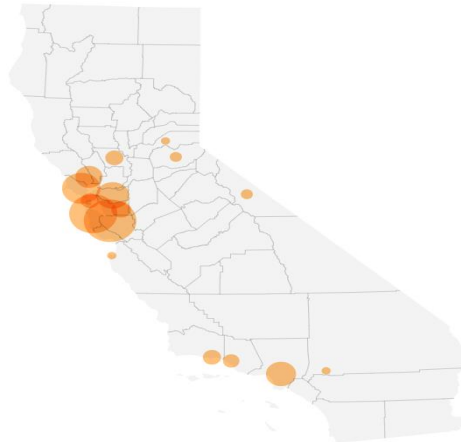
*Parcel taxes are for Programs and People.
Bonds are for Buildings.*

	Prop 39 Bond	Non-Prop 39 Bond	Parcel Tax
Threshold to Pass	55%	2/3	2/3 (or 50% if initiative)
Tax Basis	Based on Property Value	Based on Property Value	Uniform
Must Be Held During General Election?	Yes	No	No
Citizen Oversight Required?	Yes	No	No
Permissible Use	Facilities	Facilities	Programs

Facts About Parcel Taxes - Before 2023

- Most parcel tax initiatives throughout the state have been defeated. **2/3rd Voter Approval Requirement has been Prohibitive for most Districts.**
 - Districts where they have passed have been relatively wealthy and liberal (open to taxation). Most parcel taxes have been passed in Santa Clara, San Mateo and Marin Counties. In greater Bay Area the passage rate is about 55%, in other areas effectively 0%. In Contra Costa, Martinez had a parcel tax passed, expiring in 2024.
 - It is an Ad Valorem tax, not based on value of the property. Exceptions for seniors, income levels, rentals and non profits. Usually have a sunset provision.
 - Account for less than 1 % of school revenue where passed. Flat tax averages about \$65 per parcel for school districts.

The map illustrates the concentration of counties in California where school parcel tax measures were approved during the ten-year period between 2008 and 2022.



Facts About Parcel Taxes

FIGURE 1. SCHOOL CONSTRUCTION BONDS HAVE HAD A MUCH WIDER GEOGRAPHIC RANGE THAN PARCEL TAXES

Construction bonds

Parcel taxes



SOURCES: California Elections Data Archive, www.csus.edu/calst/cal_studies/CEDA.html; United States Census (school district shapefiles).

NOTE: The map on the left shows the territory covered by school districts that have passed at least one school construction bond since 1995; the map on the right shows the same for parcel taxes.

Changes in the Law – 2022 Ct. of Appeal ruling:

CERTIFIED FOR PUBLICATION

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

FIRST APPELLATE DISTRICT

DIVISION FOUR

**CITY AND COUNTY OF SAN
FRANCISCO,**

Plaintiff and Respondent,

v.

**ALL PERSONS INTERESTED IN
THE MATTER OF PROPOSITION
G,**

Defendants and Appellants.

A160659

(City & County of San Francisco
Super. Ct. No. CGC-18-569987)

City and Cty of San Francisco (Measure G) case

- Reaffirms Prop 13, that holds that any special tax to be adopted by a local government be approved by 2/3rd supermajority.
- However, a local citizen initiative requires a majority (50%+), not a supermajority to pass.
- Measure G – Parcel Tax for San Francisco Unified School District.
 - Circulated by citizen proponents
 - Very limited District Involvement in process/measure – a meeting but no formal action by District
 - Signed by 16,656 local voters – Approved by 60% of voters
- Court of Appeal found that the voter initiative was a local citizen initiative subject to majority requirement. Supreme Court did not grant review, making it the law for now.

Lessons from the San Francisco case:

- A District-sponsored Parcel Tax initiative still requires a 2/3rd Supermajority under Prop 13, and is unlikely to prevail in Contra Costa.
- A local citizen initiative *may* be more successful, but it cannot be sponsored by the District. The District cannot:
 - Take official action in favor of such an initiative
 - Use District funds or resources to support the initiative
 - Use staff times, materials, equipment or District communication channels to attempt to persuade voters for the initiative
 - Task of gathering signatures, etc., would be undertaken by a Citizen's Committee, not the District.
- The issue has not been fully settled as there a movement to invalidate SF case by tax advocates.