



R-23

Date: September 15, 2020
To: Honorable Mayor and City Council
From: Councilmember Rex Richardson, Chair, State Legislation Committee
Subject: **Propositions 15, 16, 17, 18, and 25 on the November 3, 2020 Ballot**

Recommendation

The State Legislation Committee, at its meeting held Thursday, September 3, 2020, voted to support Propositions 15, 16, 17, 18, and 25 on the November 3, 2020 ballot and to forward these recommendations to the City Council for adoption.

It is the recommendation of the State Legislation Committee to the City Council to adopt support positions for Propositions 15, 16, 17, 18, and 25 on the November 3, 2020 ballot.

Discussion

On Tuesday, November 3, 2020, Long Beach voters will consider 12 statewide ballot measures and one countywide measure. Of the statewide measures, eight were placed on the ballot by voters and four were approved by the State Legislature to amend the California Constitution. Additionally, voters will consider one measure approved by the Los Angeles County Board of Supervisors.

The attached memoranda provide a summary of State and County 2020 General Election ballot measures, as well as detailed analysis of Proposition 15. The California Secretary of State Official Voter Information Guide provides additional information about all propositions.

On September 3, 2020, the State Legislation Committee received staff presentations on and voted to support the following measures on the November 3, 2020 ballot:

- **Proposition 15.** *Increases Funding for Public Schools, Community Colleges, and Local Government Services by Changing Tax Assessment of Commercial and Industrial Property. Initiative Constitutional Amendment.*
 - Recommendation: Request the City Council to support Proposition 15
- **Proposition 16.** *Allows Diversity as a Factor in Public Employment, Education, and Contracting Decisions. Legislative Constitutional Amendment.*
 - Recommendation: Request the City Council to support Proposition 16
- **Proposition 17.** *Restores Right to Vote after Completion of Prison Term. Legislative Constitutional Amendment.*
 - Recommendation: Request the City Council to support Proposition 17

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- **Proposition 18.** *Amends California Constitution to Permit 17-Year-Olds to Vote in Primary and Special Elections if they Will Turn 18 by the Next General Election and be Otherwise Eligible to Vote. Legislative Constitutional Amendment.*
 - Recommendation: Request the City Council to support Proposition 18

- **Proposition 25.** *Referendum on Law that Replaced Money Bail with System Based on Public Safety and Flight Risk.*
 - Recommendation: Request the City Council to support Proposition 25

It is the recommendation of the State Legislation Committee that the City Council support the propositions listed above.

Suggested Action

Approve recommendation.

Respectfully submitted,

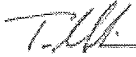
State Legislation Committee

Councilmember Rex Richardson, Chair

ATTACHMENTS

- UPDATE ON THE SPLIT ROLL BALLOT MEASURE, MEMORANDUM DATED AUGUST 21, 2020
- UPDATE ON STATE AND COUNTYWIDE BALLOT MEASURES—NOVEMBER 3, 2020, MEMORANDUM DATED SEPTEMBER 2, 2020

Date: August 21, 2020

To: Mayor and Members of the City Council 

From: Thomas B. Modica, City Manager

Subject: **Update on the Split Roll Ballot Measure**

The purpose of this memorandum is to provide information about California Proposition 15, the Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative, on the November 3, 2020 ballot and its potential impacts to the City of Long Beach. The measure, commonly known as "split roll," proposes to apply different tax formulas and rates for commercial and industrial properties than for residential properties, and herein will be referenced simply as the Split Roll Initiative.

Background

The structure of California's property tax system has remained relatively unchanged since 1978, following the passage of Proposition 13, which reduced and limited property tax rates on commercial, industrial, and residential properties. Proposition 13 passed with overwhelming support, receiving 62 percent of votes in favor, largely due to the growing tax burden at the time. Prior to Proposition 13, property tax rates were set cumulatively by cities, counties, and school districts. As assessed property values skyrocketed in the 1970s, so too did property tax rates. Between 1974 and 1978, the tax burden leaned heavily on the side of homeowners; residential assessments increased by 120 percent, while commercial property assessments, by comparison, rose by 26 percent. A volatile property tax system, combined with stagnant incomes and rising inflation, drove support for what many still consider to be the most lasting transformation to the State's property tax system.¹

Proposition 13 limits the property tax rate to one percent of the purchase price on commercial, industrial, and residential properties. For each year after the original purchase date, the annual adjustment to the property tax is capped at two percent or the rate of inflation, whichever is lower. Upon a change of ownership, property tax rates are reset based on the assessed value of the property at the time of purchase. The Proposition 13 tax system, administered by counties, generates approximately \$65 billion annually. Statewide, 60 percent of property tax revenue is allocated to cities, counties, and special districts, with the remaining 40 percent to schools and community colleges.

The market value of properties in the state, however, typically increases by more than two percent per year, creating a disparity between taxable assessed value and market value. Compared with the pre-1978 system, in which property tax rates fluctuated based

¹ Goldberg, Lenny. 2010. "Proposition 13: Tarnish on the Golden Dream." In *Remaking California: Reclaiming the Public Good*, edited by R. Jeffrey Lustig, 44. Berkeley, CA: Heyday Books.

on market conditions, after 1978 local governments and educational institutions have received a fraction of these revenues through the fixed system established by Proposition 13. Ever since the measure was approved, there have been numerous failed attempts to tax commercial and industrial properties at different rates than residential, in an effort to recover some of the lost revenues at the local level. And in October 2018, the Schools and Communities First campaign successfully qualified the Split Roll Initiative for the November 3, 2020 ballot.²

The Split Roll Initiative

The Split Roll Initiative seeks to amend the California State Constitution to require commercial and industrial properties to be taxed based on their market value beginning in 2022-23, while continuing to assess residential properties at their Proposition 13 levels. Reassessment would be phased in over three years for commercial retail properties with 50 percent or more of the property occupied by small businesses, defined as businesses that are independently owned and operated in California with less than 50 full-time employees. Exemptions include commercial agricultural land, real property used as residential property, and property owners with holdings in California valued at \$3 million or less. The Initiative further eliminates the business tangible personal property tax on equipment and fixtures for small businesses, and other businesses would receive an exemption for the first \$500,000 in value of their personal property. All exempted properties would continue to be taxed based on the Proposition 13 model.

Led by the Schools and Communities First campaign, the Split Roll Initiative has received registered support from the California Democratic Party, Los Angeles Unified School District, and Former Vice President Joe Biden, along with a number of other Federal, State, and local representatives. Opposition has been received by the California Chamber of Commerce, California Taxpayers Association, and California Business Roundtable, among numerous business advocacy groups. Campaign contributions in support of the measure have reached almost \$20 million, while opposition has gathered more than \$3 million.

Popular opinion on the matter is similarly divided. According to a survey conducted by the Public Policy Institute of California (PPIC) between April 1 and April 9, 2020, 53 percent of likely voters support the Split Roll Initiative. This demonstrates a six percent increase from a survey conducted in November 2019, which found 47 percent of likely voters in support. A series of eight surveys conducted by PPIC and one by a collaborative between the University of Southern California's Dornsife College and the Los Angeles Times finds 50.5 percent of likely voters in support of the Split Roll Initiative. And on June 19, 2020, the League of California Cities board voted to take no position on the measure.

² In August 2019, the campaign announced they would begin collecting signatures for a revised version of the initiative, and on May 29, 2020, the updated version successfully qualified for the ballot, replacing the original.

Potential City Impacts

If approved by the voters, the Split Roll Initiative is projected to result in substantial revenue increases to local governments and schools throughout California. According to the Legislative Analyst's Office (LAO), annual net revenue increases in property tax statewide are estimated to range from \$7.5 billion to \$12 billion, dependent upon the real estate market. A portion of the revenues generated through the measure would be distributed to the State to supplement decreases in personal income and corporation taxes collected, and to counties to cover administrative costs for implementing the reassessment required by the measure. Less these costs, the LAO estimates between \$6.5 billion and \$11.5 billion in net increased revenue distributed among local governments and education institutions. Roughly 60 percent of this total, between \$3.9 billion and \$6.9 billion, is projected to go directly to counties, cities, and special districts.

Beyond this statewide estimate, however, there is no definitive method to assess the impact of the Split Roll Initiative to individual jurisdictions, and rough estimates for Long Beach vary significantly. One methodology—taking the LAO's statewide range and utilizing the City's current assessed valuation to estimate the City's share of the overall statewide total—results in a potential revenue increase from \$1.3 million to \$2.4 million. Alternatively, evaluating the difference between the City's property market values and the assessed valuation under the current tax system indicates the impact could be closer to \$3 million. Yet another approach, offered by the Schools and Communities First campaign sponsoring the Split Roll Initiative, estimates \$32 million in additional revenue to Long Beach. The methodology and assumptions used to arrive at this estimate, however, are vague, including the application of exemptions to certain properties. It also appears that the amount may be overstated and does not disaggregate the City's share from estimated shares to other entities such as educational institutions.

All three approaches above assume Long Beach will receive an amount proportional to its share of revenues under the existing tax structure. The City of Long Beach receives, on average, 22 percent of total property taxes paid by property owners in the City, amounting to \$125 million in FY 19-20. Yet, we do not know how reassessments will alter the overall share of property tax revenue across jurisdictions. Since counties would be ultimately responsible for determining the taxable value of properties according to the Initiative's eligibility criteria and distributing the additional revenues among local governments, we will need to revise the projected revenues for Long Beach as further information is made available by Los Angeles County.

Staff is currently working with the County to get more details about the County's potential allocation methodology and how it might impact the City. While they do not have individual estimates for each local jurisdiction, they estimate an increase in property tax revenue for the County's General Fund of approximately \$393.4 million, or 5 percent of locally generated revenues. Similar to the disparity between the City's and the Schools and Communities First campaign's estimates for Long Beach, the County's projection is substantially lower than the campaign's of \$1.337 billion.

Without additional information, evaluating the actual fiscal impact to the City is problematic for several reasons. First, the allocation methodology across counties, cities, and special districts remains undefined. Many possible allocation methodologies exist, such as redistributing revenues based on percentage of assessed valuation growth within a county. Second, it is difficult to identify how exemptions will be applied to Long Beach properties, and thus how much additional property taxes will be generated, given that exemptions are not solely based on the valuation of an individual property within the City. Last, the timeline for implementation and revenue generation is unclear, due to the administrative challenges related to a statewide reassessment process for applicable commercial and industrial properties.

Next Steps

Staff will continue to monitor this issue and provide updates related to the Split Roll Initiative's impact. In addition to the Split Roll Initiative, there are 12 other propositions on the November 2020 ballot. Information on these ballot measures will be provided ahead of the November election. If you have any questions, please contact Tyler Bonanno-Curley at (562) 570-5715 or Tyler.Curley@longbeach.gov.

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Date: September 2, 2020

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager 

Subject: Update on State and Countywide Ballot Measures – November 3, 2020

On Tuesday, November 3, 2020, Long Beach voters will consider 12 statewide ballot measures and 1 countywide measure. Of the statewide measures, 8 were placed on the ballot by voters and 4 were approved by the State Legislature to amend the California Constitution. Additionally, voters will consider 1 measure approved by the Los Angeles County Board of Supervisors.

This memorandum provides a summary of State and County 2020 General Election ballot measures including any potential impacts to the City of Long Beach (City). For additional information, please visit the California Secretary of State Official [Voter Information Guide](#).

2020 Ballot Measures

Proposition 14. Authorizes Bonds to Continue Funding Stem Cell and Other Medical Research (Bond Measure)

Proposition 14 proposes to authorize \$5.5 billion in State general obligation bonds to fund grants from the California Institute of Regenerative Medicine to educational, nonprofit, and private entities for stem cell and other medical research, therapy development, and therapy delivery; medical training; and, construction of research facilities. The State General Fund would pay most of the costs, with a relatively small amount of interest repaid by bond proceeds.

- Long Beach Impacts: This proposition would have no direct impacts to the City.

Proposition 15. Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative (Constitutional Amendment)

Proposition 15 proposes to establish split roll taxation, requiring certain commercial and industrial properties to be taxed based on their market value, as opposed to purchased price. Exemptions from this change include residential properties, agricultural properties, and property owners with combined property values of \$3 million or less. The resulting revenue from a split roll taxation structure would go to K-12 public schools, community colleges, and local governments. Proposition 15 was placed on the November ballot by voter signature and is largely financed by the California Teachers Association, Service Employees International Union California, and the Chan Zuckerberg Initiative.

- Long Beach Impacts: A detailed [memorandum](#) dated August 21, 2020, provides analysis of Proposition 15's potential impacts to the City. Proposition 15 is anticipated to generate between \$7.5 billion and \$12 billion total statewide, 60 percent of which would be allocated to local governments and 40 percent to education institutions. While the

actual amount of revenue to the City is uncertain until a detailed funding allocation formula is released, the City estimates an annual increase in the General Fund upwards of \$3 million, and local education providers would directly benefit as well.

Proposition 16. Government Preferences (Constitutional Amendment)

Proposition 16 was placed on the November ballot by the State Legislature via ACA 5. This measure proposes to repeal Proposition 209 passed in 1996, which prohibits the State and public entities from discriminating against, or granting preferential treatment to, any individual or group based on race, sex, color, ethnicity, or national origin. If approved by the voters, Proposition 16 would, instead, allow public agencies to consider race, sex, ethnicity, or national origin in hiring, admissions, and contract selection decisions.

- Long Beach Impacts: If passed, this proposition could impact City's hiring and procurement practices. Proposition 16 aligns with strategies outlined in the Racial Equity and Reconciliation Initiative Initial Report, which was unanimously approved by City Council on August 11, 2020, to ensure the City's workforce fully reflects the diversity of Long Beach and the City's contracting process provides opportunities for those most impacted by systemic racism. However, the City would still have to comply with Federal requirements regarding preferential selection in government contracting based on race, sex, ethnicity, or national origin. This would require any preference program to be narrowly tailored to achieve a compelling governmental interest and follow the Federal strict scrutiny test and equal-protection clause. Therefore, the City could, after consultation with the City Attorney's Office, consider adopting purchasing preference procedures, insofar as they are consistent with Federal law. Adopting a local preference program based on race, sex, ethnicity, or national origin could create one-time costs associated with research and implementation, and a change in selection/award criteria could result in an unknown increase in cost to the City for affected procurements.

Proposition 17. Elections: Disqualification of Electors (Constitutional Amendment)

Proposition 17, which proposes to extend voting rights to felony parolees, was placed on the November ballot by the State Legislature via ACA 6. In 1974, California voters passed a measure to allow felons to vote upon completion of their sentence and parole. This effectively permits someone on probation to vote, while preventing parolees from voting. Currently, there are approximately 40,000 parolees who are unable to vote despite having been released from prison, roughly two-thirds of whom are Latino or Black. Proposition 17 would restore voting rights for these individuals.

- Long Beach Impacts: This proposition does not have a direct impact on the City's operations but could enhance racial equity in voting. The City's Racial Equity and Reconciliation Initiative Initial Report acknowledges that despite significant changes in social attitudes and policy, Black residents and communities of color in Long Beach remain disproportionately affected across all major indicators, including incarceration. Proposition 17 would expand voter rights to parolees who have completed their sentence.

Proposition 18. Elections: Voting Age (Constitutional Amendment)

Proposition 18 was placed on the November ballot by the State Legislature via ACA 4. This proposal would permit 17-year-old citizens of the United States to vote in primary and special elections, so long as they are 18 years old by the subsequent General Election. While similar initiatives have been attempted six times in California, Proposition 18 is the first to be placed on a ballot. Currently, 23 states allow 17-year-olds to vote under various conditions.

- Long Beach Impacts: This proposition could impact the City's elections and have minimal implications for City operations. For example, it could lead to expanded voter registration outreach and partnerships with Long Beach Unified School District.

Proposition 19. The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act (Constitutional Amendment)

Proposition 19 was placed on the November ballot by the State Legislature via ACA 11. If approved by voters, this measure would allow homeowners who are 55 or older, disabled, or victims of natural disasters to transfer existing property tax assessments to the purchase of a new residential property. It would also allow the existing property tax assessment to transfer in familial property inheritances, if the family members will inhabit the property, thereby closing a loophole in which property owners transfer ownership while continuing to rent out the properties. Additional tax dollars resulting from real estate sales would go to the California Department of Forestry and Fire Protection to fund firefighting and the Special District Fire Response Fund for fire protection services.

- Long Beach Impacts: The impact of this measure to the City is unclear. While some provisions could increase property taxes, others would decrease revenues. The proposition, which incentivizes certain residents to move without paying higher property taxes, could potentially increase homeownership opportunities for residents. Those who benefit from the tax transfer moving into Long Beach, however, could result in lower property tax revenues for the City.

Proposition 20. Restricts Parole for Non-Violent Offenders. Authorizes Felony Sentences for Certain Offenses Currently Treated only as Misdemeanors (Constitutional Amendment)

Proposition 20 was placed on the November ballot by voters. This proposition would classify repeat or organized petty theft as a felony, increase parole for three-time parole offenders, and exclude domestic violence and certain non-violent offenders from early parole consideration. Each component of the measure proposes to place limits on the sentence reductions enacted by Proposition 47 and Proposition 57 from 2014 and 2016, which respectively recategorized some non-violent crimes as misdemeanors and offered early release for individuals convicted of certain non-violent offenses.

- Long Beach Impacts: By increasing criminal penalties for certain theft-related crimes, this proposition would have an impact on State and local corrections. The Legislative Analyst's Office estimates that several thousand people would be impacted by this proposition annually, leading to additional State and local correctional costs in the tens of millions per year.

Proposition 21. Expands Local Governments' Authority to Enact Rent Control on Residential Property (Initiative Statute)

Following the failed rent control ballot measure in 2018, Proposition 21 was placed on the November 2020 ballot by voters to repeal the Costa-Hawkins Rental Housing Act. Proposition 21 would amend State law to allow local governments to impose rent control on properties that are at least 15 years old, permitting rent increases on rent-controlled properties of up to 15 percent over three years from previous tenant's rent above any increase allowed by local ordinance. The law would exempt single-family homes and units for which the owner possesses no more than two properties under separate titles.

- Long Beach Impacts: If approved by voters, this proposition would provide more flexibility to local governments to apply local rent control on units currently ineligible under State law.

Proposition 22. Changes Employment Classification Rules for App-Based Transportation and Delivery Drivers (Initiative Statute)

Proposition 22 was placed on the November ballot by voters and funded primarily by Lyft, Uber, and Doordash. In response to the enactment of AB 5 (Chapter 296, Statutes of 2019), which codified gig economy workers as employees, this proposition proposes to reclassify app-based drivers as independent contractors. If approved, Proposition 22 would exempt app-based drivers from the classification designated by AB 5 and, instead, would guarantee an hourly wage, monthly health insurance stipend for certain drivers, benefits if injured while driving for the app, and labor rules related to breaks, harassment, and background checks.

- Long Beach Impacts: This proposition deals with employment classification for app-based rideshare and delivery companies. The City does not contract with driving apps. Therefore, this measure would not have a direct impact on City hiring, operations, programs, or services.

Proposition 23. Authorizes State Regulation of Kidney Dialysis Clinics. Establishes Minimum Staffing and Other Requirements (Initiative Statute)

Proposition 23 was placed on the November ballot by voters, funded by the Service Employees International Union-United Healthcare Workers West. This proposition proposes to require kidney dialysis clinics to have at least one physician onsite during operating hours to report patient infection data to the State. The proposition would also require clinics to offer the same services to all patients and to not discriminate against patients based on payment type.

- Long Beach Impacts: The City does not employ private dialysis clinics. Therefore, this measure would not have a direct impact on City operations, programs, or services.

Proposition 24. Amends Consumer Privacy Laws (Initiative Statute)

Proposition 24 was placed on the November ballot by voters. This proposition proposes to establish the California Privacy Protection Agency and implement stricter business privacy regulations. If approved by voters, this initiative would broaden the scope of existing consumer privacy law in California to make more businesses subject to privacy rules. Under Proposition 24, businesses would be required to delete consumer data upon request, provide consumers

the ability to opt-out of sharing information, and require permission before acquiring information of consumers under the age of 16.

- Long Beach Impacts: The City does not regulate business data protection. Therefore, this measure would not have a direct impact on City operations, programs, or services.

Proposition 25. Referendum to Overturn a 2018 Law That Replaced Money Bail System with a System Based on Public Safety Risk

Proposition 25 was placed on the November ballot by voters as a referendum on SB 10 and is funded primarily by the bail bond industry. As a referendum, Proposition 25 asks voters whether SB 10 should go into effect. If approved by the voters, Proposition 25 would uphold SB 10. A “No” vote would repeal the legislation and retain the existing cash bail system. Enacted in 2018, SB 10 proposes to end the use of cash bail as a means to release criminal suspects awaiting trials, and instead would require a system based on risk assessments to determine whether a detained suspect should be granted pretrial release. Without the referendum, the bill would have gone into effect in October 2019.

Under SB 10, most misdemeanor arrests would be booked and released, and individuals with repeat offenses would not be eligible for pretrial release. The risk-assessment system proposed by SB 10 would consider the following factors: (1) low-risk individuals would be released; (2) medium-risk individuals would be released or provided supervised release with the least-restrictive conditions necessary to ensure public safety and the person’s return to court; and, (3) high-risk individuals would not be granted release.

- Long Beach Impacts: The direct impacts of this proposition to the City are unclear. If approved, counties would be responsible for implementing the transition from the current cash bail system to a risk-assessment system. While the Legislative Analyst’s Office estimates increased costs statewide in mid-hundreds of millions of dollars annually, it is unclear how much of those costs would be offset by local savings due to decreased county jail bookings. The implementation of SB 10 would have a direct impact on the County jail system and would require significant changes to pre-trial release operations.

County of Los Angeles Proposition for Mandated Community Investment

On August 4, 2020, the County of Los Angeles Board of Supervisors voted 4-1 to place a measure on the November ballot. The measure proposes to amend the County’s Charter requiring the County to spend at least 10 percent of its locally-generated revenue on direct community investment and alternatives to incarceration. The allocation would be phased in by June 30, 2024. Direct community investment includes youth development programs, workforce training and development, capital for small minority-owned businesses, rent assistance, and affordable housing. Alternatives to incarceration include restorative justice programs, pretrial services, and health, mental health, and substance use services and programs.

- Long Beach Impacts: The measure would place limitations on the County’s spending of unrestricted funds and would have an impact on the County budget priorities. The fiscal and policy impacts, however, are still unclear. While this is unlikely to have direct impacts on the City’s budget and services, it could help increase funding for programs that are prioritized by the City’s Racial Equity and Reconciliation Initiative Initial Report. Certain programs the County provides for the City, such as mental health services, could receive additional funding.

Next Steps

On September 3, 2020, the City's State Legislation Committee will consider potential positions on Propositions 15, 16, 17, 18, and 25, and will forward these recommendations to the full City Council. If you have any questions, please contact Tyler Bonanno-Curley, Manager of Government Affairs, at 562-570-5715.

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