



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Lee Wilcox  
Jim Shannon

**SUBJECT: NEW  
REVENUE OPPORTUNITIES IN 2020**

**DATE:** June 7, 2020

Approved

Date: 6/7/2020

## BACKGROUND

At the May 14, 2020 City Council Budget Study Session, Councilmember Jimenez inquired about revenue measures that could potentially appear on the November 2020 ballot. This Manager's Budget Addendum provides an update on a split roll ballot proposition, potential one-time funding in the May Revision of the Governor's Proposed Budget, and discusses the prospects of a local revenue measure in San Jose. This memorandum only presents current known facts and is void of policy analysis looking at indirect effects of any potential initiatives.

## ANALYSIS

### **Split Roll Ballot Proposition**

Six ballot propositions have qualified for the November 3, 2020 election in California. One of these propositions, the Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative, would result in additional tax revenue for the City if it were passed by the voters. This proposition would amend the state constitution to require that commercial and industrial properties, with the exception of properties zoned as agriculture, be taxed according to their market value, not their purchase price. Property in California is currently taxed based on its purchase price (pursuant to Proposition 13, passed by voters in 1978). Under the November 2020 initiative, taxation based on purchase price would continue for residential property, but commercial and industrial property would be taxed based on its market value—an arrangement known as "split roll."

If approved by voters, split roll could result in significant increases in property tax revenue. While estimates continue to evolve, a February 2020 study from the University of Southern California<sup>1</sup> estimated that if commercial and industrial property were assessed at market value, it

<sup>1</sup> [https://dornsife.usc.edu/assets/sites/242/docs/Updated\\_2019\\_Rev\\_Est\\_memo\\_Design\\_v5.pdf](https://dornsife.usc.edu/assets/sites/242/docs/Updated_2019_Rev_Est_memo_Design_v5.pdf)

could result in approximately \$11.4 billion in additional property tax statewide, with \$ 1.2 billion of that amount generated within Santa Clara County.

As part of its state-wide survey on education, the Public Policy Institute of California (PPIC) polled on the split roll initiative.<sup>2</sup> The survey was conducted between April 1 and April 9, 2020 and was released on April 22, 2020. The survey found that 53% of likely voters supported the initiative, compared with 54% support in a previous survey from April 2019. The cross tabulated results show support in the nine Bay Area counties at 63%, compared to 66% support in April 2019.

	<b>April 2019</b>	<b>April 2020</b>
Likely Voters Statewide	54%	53%
Nine County Bay Area	66%	63%

The PPIC poll did not test the effect of opposing arguments on support. Business groups, including the California Chamber of Commerce, have come out against the proposition. It is likely that a well-funded opposition campaign will be mounted against it.

### **Other State Funding Opportunities**

The May Revision of the Governors Proposed Budget also contains a few additional sources of one-time funding that will be available to local governments, as follows:

- Community Power Resiliency—Maintains \$50 million one-time General Fund to support additional preparedness measures that bolster community resiliency. Building on the state’s 2019-20 power resiliency investments, these measures will support critical services still vulnerable to power outage events, including schools, county election offices, and food storage reserves. This proposal will support a matching grant program to help local governments prepare for, respond to, and mitigate the impacts of power outages.
- California Disaster Assistance Act (CDAA)—A total of \$38.2 million one-time General Fund (maintaining \$16.7 million included in the Governor’s Budget and an additional \$21.5 million) to increase the amount of funding available through the CDAA, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclaimed by the Governor. This augmentation increases total CDAA funding available in the Budget to \$100.8 million.


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<sup>2</sup> <https://www.ppic.org/publication/ppic-statewide-survey-californians-and-education-april-2020/>

### **Local Revenue Measure**

In light of the COVID-19 pandemic, the Administration does not recommend polling a local revenue measure for the November 2020 ballot with the exception of possible modernization measure related to the City's two cardrooms. Given the sharp economic downturn, November 2020 would not be the most opportune moment to proposed new revenue. The PPIC polling on split roll discussed above was conducted in early April, near the beginning of the statewide shelter-in-place order, but even at that point there appears to have been some softening of support for new revenue as against polling from a year previous. Given the amount of effort necessary to study and prepare a revenue measure and the current staff focus on responding to the pandemic and ensuring continuity of essential services, the Administration believes it would be most efficient to defer consideration of local revenue measures to a future election cycle.

/s/  
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