Call for Rabbinic and Cantorial Support for Proposition 15 - Schools and Communities First

Dear Friends,

Our country is at a critical juncture. On November 3, 2020, the entire world will be watching as Americans cast their votes for the next President of the United States, possibly defining the future of our nation and the stability of the world.

There is another major vote that will shape the future of public schools and all our communities in California, Proposition 15. Prop 15, a measure known as "Schools and Communities First" (SCF), will reform property taxes on commercial real estate (as frozen by Prop 13 in the 1970s), raising approximately $12 billion annually, 40% of which will be allocated to public K-12 schools, with the remaining 60% distributed to California's communities.

It is undeniable that providing proper public education is a bedrock of a healthy society and foundational in Jewish life. The great rabbinic scholar, Maimonides, taught **"Teachers of small children should be appointed in each and every land, in each and every region, and in each and every city. If a city does not have children who study Torah, its populace is placed under a ban of ostracism until they employ teachers for the children. If they do not employ teachers, the city [deserves to be] destroyed, since the world exists only by virtue of the breath coming from the mouths of children who study Torah."** (Hilchot, Talmud Torah 2:1)

But it's not just our Jewish tradition that recognizes the critical importance of well funded, well run schools. In modernity, particularly in the United States, access to quality public education has served as an essential building block for our communal, financial, and political success and security. And yet, that crucial building block has been chronically underfunded in California ever since Prop 13 passed 42 years ago. Taking a dramatic step to restore public education, for our congregants and for everyone in California, is the clear moral demand of our Jewish and American values.

Passing Prop 15 would truly be transformational for our state, increasing resources for our schools and for services such as parks, libraries, first responders, mental health, homelessness and street repair. At a time when we and our congregants are hungrier than ever to contribute tangibly to combating systemic racism, the passage of Prop 15 would be the most significant symbolic and substantive victory for racial justice in recent memory. SCF is the highest priority of our closest longtime social justice partners across the interfaith and interracial spectrum.

The proposition also has the potential to be transformational for many synagogue members, many of whom struggle greatly with the cost of private schools or the cost of housing in districts with "good" public schools. This is also true for so many of our congregations themselves, as we may otherwise find even more young families priced out of our synagogues' neighborhoods, where housing costs are frequently high, making the availability of excellent public schools an even more urgent need for young families.

We hope you will sign on to this rabbinic and cantorial letter in support of Prop 15 and affirm the centrality of education for all Californians and the importance of strong and vital community services and resources in every neighborhood. Below you will find additional background information.

Endorse here!

Brachot,

Rabbi Jocee Hudson
Rabbi Benjamin Ross
Rabbi Ken Chasen

Rabbi Aryeh Cohen
Rabbi Sharon Brous
Rabbi Susan Goldberg

Background:
Prior to the passage of Proposition 13 in 1978, California generally ranked among the top ten states in per pupil K-12 spending (7th in 1977). And, California's public schools were among the best in the country and its public university system was both world class and nearly tuition-free. At the same time, the State's public services and infrastructure were second to none. All of this was funded by residential and commercial property taxes.

During this period, property tax rates were set at the county level and were applied to the market value of all properties. The average rate was 2.67%. Residential property owners paid about one-half of the property taxes in the State, with the remainder coming from commercial property owners. California experienced rapid growth in real estate values in the years leading up to Prop 13, and the "tax revolt" movement was born out of frustration with rising property tax bills. The signature image in the campaign for Prop 13 was a retired couple living on a fixed income, unable to afford rising property taxes on their family home.

Prop 13 passed overwhelmingly in November, 1978. It capped property taxes at 1%, set the assessed value of a property back to its 1975 level (with annual increases of up to 2%), and only permitted reassessment upon a sale. It also imposed a two-thirds supermajority requirement on any "special" funding measure (such as, for example, a measure to increase school funding). Although it was not much discussed in the campaign, Prop 13 applied the very same limits to commercial property. In 1979, California fell to 22nd nationally in per pupil spending; by 1988 such spending fell below the national average and has never recovered. California currently ranks approximately 41st when factoring in the cost of living, and spends less than half as much per pupil as New York.

Approximately one in five commercial properties, including many notable ones (Disneyland, movie studios, golf courses), have not changed hands since 1978, meaning they are still assessed at their 1975 values. Moreover, the rule that a sale triggers a reassessment to the purchase price only applies if more than 50% of the property changes hands. That happens in virtually every residential transaction, but in commercial sales, various methods are used to ensure less than 50% of a property changes hands in any given transaction, which is why nearly 60% of commercial properties have not been reassessed since 1999. As a result, commercial property owners now pay approximately only 30% of property taxes statewide.

Schools and Communities First (SCF):
If passed in November 2020, SCF would assess commercial property at its current market value (and reassess each property every 3 years) for property tax purposes. Once fully-implemented, it is estimated that it will raise an additional $12 billion annually. Forty percent of that sum will be distributed according to the existing State school funding formula to our K-12 school, directing additional funds to all schools, with those in low-income communities benefitting more significantly. The remaining 60% will be distributed to the counties, cities and special districts based on the commercial property in their jurisdiction. LAUSD, with a current budget of $14 billion, would receive more than $1 billion annually. An additional $2.5 billion would flow to LA County (current budget $36 billion) and cities within the County.

The Measure will not apply to commercial property owners who own less than a combined $3 million in commercial property. The increased assessments and taxes will be phased in over a period of two or more years beginning in 2022 to reduce disruption, and properties that lease primarily to small businesses are granted an extra deferral (until at least 2025) for the effects of the Measure, with the idea of protecting lessees with "triple net" leases from incurring large cost increases. Current estimates indicate that upwards of 70% of the increased property tax revenues will be paid by a relative handful of large commercial property owners. Finally, SCF would eliminate the business tangible personal property tax on equipment and fixtures on small businesses and provide an annual exemption of $500,000 on this tax for all other businesses.

Commercial property taxes in California would still remain low by national standards. Even if SCF were to pass, for example, the City of Los Angeles will still rank 42nd out of the 50 largest cities in terms of commercial property taxes.

The Measure provides for full transparency regarding how the new revenues will be spent. It requires school districts and local governments to make clear annually how each dollar has been spent.

Arguments in Favor of SCF:
Anyone with school age children recognizes the difficult (and costly) choices parents face. Our congregation's members are no exceptions, frequently choosing to live in (more expensive) neighborhoods where the public schools are more highly-rated, or to place their children in pricey private schools because the public school alternatives are not acceptable. It was not always thus, and passage of SCF could take us back to a time when parents often chose public education for their children based, at least partly, on quality.

The current state of public education is even bleaker for the 80% of LAUSD's 735,000 students living at or below the poverty line, whose families do not have the luxury of sending their kids to private school. Moreover, these poorer communities also lack the resources to raise significant private funds to supplement public school budgets, as we see so often done in the more affluent communities where our congregants tend to reside.

Chronically underfunded public services, such as parks, libraries, first responders, mental health services, health care and road maintenance, would gain needed resources from SCF. It is no accident that Prop 13 is most unpopular in minority neighborhoods, which have suffered the most from post-1978 services cuts and would benefit the most from SCF. In this moment when the national focus has been on our country's history of racial injustice, SCF's passage would be a landmark step in addressing racial inequalities created or exacerbated by Prop 13.

As a result, SCF is the highest 2020 priority for our State-wide interfaith organizing partner PICO California.

Not even its most ardent supporters would contend SCF is perfect. It is, however, the first serious opportunity to undo some of the damage wrought by Prop 13 in 42 years, and it is not clear another such opportunity will arise again anytime soon. We have the opportunity to help bring about the Los Angeles and the California we say we want and should not hesitate to endorse SCF.

Arguments Against SCF:
Some opposition to SCF will come from those who generally oppose any tax increase, such as the original sponsors of Prop 13.

Some in commercial real estate field object to the targeted nature of SCF. They note, fairly, that one segment of the economy is being asked to bear the entire burden of this tax change. An initiative that also raised property taxes on large owners of multi-family housing would no doubt be more fair.

In addition, the increase in property taxes on commercial real estate could well lead to increased rents, a burden that smaller businesses might not be able to afford. While SCF's phase in period and exemption for small commercial property owners should reduce and/or gradualize these knock-on effects, they will not eliminate them.

Finally, some express concern about how efficiently entities such as local school districts and county governments will spend their new resources. The transparency provisions included in SCF do not ensure the money will necessarily all be spent wisely.