

**CLIENT NEWS BRIEF**

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**FINDING NEW FUNDING SOURCES IN TROUBLED FISCAL TIMES:  
THE POTENTIAL OF PARCEL TAXES**

There is still time to plan for a parcel tax election this year. The deadlines for parcel tax elections in 2009 are March 6 for a June 2 election, and August 7 for a November 3, 2009 election.

Because parcel taxes levied by a school district can be used for any purpose identified in the ballot measure and are not otherwise restricted as to their use, they can be a significant source of unrestricted general fund dollars to support any district programs and needs, and could at least partially offset reductions in State funding.

Here are some things to keep in mind. Under State law:

1. The governing board of a school district must hold a noticed public hearing before calling the election. The resolution calling the election on the parcel tax measure need only be approved by a simple majority of the governing board. It must be adopted and delivered to the County Registrar of Voters at least 88 days before the election date.
2. The parcel tax measure must receive a 2/3-voter approval at the election.
3. Any parcel taxes levied for the benefit of a school district would be levied on each taxable parcel of real property within the boundaries of the school district regardless of whether the owner of the parcel owns 1 parcel or 100 parcels.
4. There is no present limit to the duration of a parcel tax. Although special taxes for school districts previously were thought to be limited to 4-year terms (due to the limit on voter-approved changes in a school district's appropriation limit), more recently it has been determined that school districts do not need voter approval for changes in their appropriation limit and so the 4-year limit does not apply.
5. Government Code section 50079 allows, but does not require, the school district to exempt senior citizens, or persons receiving Supplemental Security Income ("SSI") for a disability, regardless of age, or both, from any parcel tax (senior citizens being defined as taxpayers 65 years of age or older).

6. In practice, the rates at which parcel taxes may be levied fall into one of two categories. The first category is a flat rate that is applied to all taxable parcels within a school district. Under this methodology, each taxable parcel within the school district would pay, for example, \$100 per year per parcel. As an alternative, some school districts have adopted rates that vary for different land uses - i.e., separate rates for residential, commercial, and industrial properties, and even rates that vary within these classes by size of parcel or size or number of buildings on the parcel. In any case, rates cannot be based directly on the value of the parcel, and like parcels must be charged like amounts to meet the law's "uniformity" requirement.
7. The measure may include an automatic inflationary adjustment, usually tied to one of the Consumer Price Indices, to provide some growth in the parcel tax revenue over the life of the tax. In the absence of a CPI adjustment, any revenue growth will depend on the creation of new assessor's parcels within the school district, which may or may not be significant in your school district.
8. The parcel taxes must be levied and collected by the county's auditor and tax collector along with the regular property taxes, and the county may charge fees for this service.
9. A new parcel tax becomes effective after a successful election and generally at the beginning of the next fiscal year, e.g., July 1, 2009 for a March 2009 election or July 1, 2010 for a November 2009 election. The proceeds will be distributed to a school district at the same time it receives its share of regular property tax revenues from the county.
10. Although not required for a parcel tax, the school district may want to include the appointment of an independent citizens' oversight committee (similar to Proposition 39 bond measures) as an additional accountability feature of the tax measure.

If you have questions regarding parcel taxes or other financing or revenue issues, please call any of our seven offices statewide.

*As the information contained herein is necessarily general, its application to a particular set of facts and circumstances may vary. For this reason, this News Brief does not constitute legal advice. We recommend that you consult with your counsel prior to acting on the information contained herein.*

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