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September 14, 2020

Santa Barbara County Board of Supervisors (sent electronically to [sbcob@countyofsb.org](mailto:sbcob@countyofsb.org))  
105 E. Anapamu  
Santa Barbara, CA 93101

Honorable Supervisors:

It is disconcerting that the Board of Santa Barbara County Supervisors is considering endorsement of the ballot measure *California Schools and Community Funding Act 2020* (Proposition 15). Its title is somewhat disingenuous for a measure which actually is the largest tax increase in California history. EconAlliance and many other organizations have very real concerns about the potential economic and job impacts of Prop 15, and our organization encourages the Board to carefully consider these impacts.

A 2012 study by Pepperdine University Davenport Institute estimated that a split roll tax could cost the California economy up to \$72 billion in lost output and nearly 400,000 lost jobs. Berkeley Research Group estimates job loss at least at 120,000. If, as is expected, passing of Prop 15 drives more businesses to downsize, move out of state or close, Prop 15 would not collect anywhere near projected income. Even if all of today's businesses stay operating, the Legislative Analyst's Office says, "Not all governments would be guaranteed new money. Some in rural areas may end up losing money," contrary to claims by the measure's backers. Couple that with the government's cost of fighting the thousands of tax assessment appeals likely, and there is not clear evidence that the measure will ever produce the income desired. Prop 15 threatens to hurt our most vulnerable businesses. According to a study by the California State Conference of the NAACP, Prop 15's higher property taxes will hurt Black and Latino businesses the most. These same businesses will face rising rents due to Prop 15's higher property taxes at a time when they are trying to keep their doors open.

Prop 15 removes existing tax protections in place for commercial and industrial properties since 1978 when the famous California Proposition 13 capped property tax for all commercial and residential taxpayers. While for the time being residential properties are still under the protection of Prop 13, commercial and industrial properties would, under Prop 15, no longer have tax certainty, California's only remaining competitive benefit over states with attractive incentives and more business-friendliness. It is rather unbelievable that Prop 15 is even on the ballot in 2020, when unemployment this year reached double digits, seven percent of California manufacturing has been lost since February, the year was THE most business-challenging ever, and employers are still reeling, trying to survive from COVID-19.

The growing number of industry, business and other associations opposing Prop 15 is telling: California Chamber of Commerce, the California Ag Council (coalition of 15 ag entities), California Manufacturers and Technology Association, California Restaurant Association, California Lodging Association, and even the California Assessors Association, which for the first time ever, is opposing a tax ballot measure due to its volatility impacts, probable appeals, and the \$430 - \$750M to implement it, in a time when qualified tax assessors can hardly be found. Los Angeles County alone would need 500 assessors to reassess its businesses and the state cannot fill existing openings.

Several misconceptions or misleading implications surrounding the measure should be considered. For example, it is sometimes said that Prop 15 only impacts large, wealthy corporations, not small businesses that do not own property. Not true. Because many small business renters are subject to "triple net" leasing, which mandates their renter responsibility for increased taxes, small business is at risk of being the largest victim of Prop 15, according to several sources.

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While the measure claims to exempt ag, the California Ag Council, a body of 15 ag entities, opposes Proposition 15 because it only exempts ag land, not facilities and improvements, which would face fair market value increases every three years. This means that livestock barns, food processing, coolers, wineries and many other facilities and improvements would all be assessed.

Prop 15 opposition is not a partisan issue. Antonio Villaraigosa, former Los Angeles mayor and speaker of the State Assembly in a *CalMatters* OpEd stated, "Prop 15 isn't the answer and will only get in the way of California's much needed recovery."

"Millions of Californians are filing for unemployment and are at risk of losing everything," said Willie Brown, former mayor of San Francisco and speaker of the State Assembly. "Prop 15 will make the economic crisis worse by devastating small businesses – including our neighborhood restaurants, barbershops, and dry cleaners – by raising their rents. Vote NO."

The following three quotes are samples of local manufacturer responses to EconAlliance inquiries regarding the Northern Santa Barbara County economic and job impacts of Prop 15 that our organization is concerned about:

"I oppose any tax increase on any business as it just drives more companies out of this state. It also decreases our ability to hire more employees or expand our business if we remain here. Taxes like this only increases our cost of local goods which makes us less competitive with other businesses outside California."

"This only pushes businesses out of California. This hurts the smaller, more established businesses by increasing taxes during a time when they struggle to stay in business... where is the logic in that?! Larger businesses will just leave the state and move to business-friendly locations. (By the way, there are lots of those outside of California!) I oppose."

"Prop 15 is just one more way to alienate business owners in CA and force them to leave the state as so many have recently. We already have the highest income taxes in the country. Why do we need more taxes?"

As you can see, there is great concern about Proposition 15 statewide from those who understand that the health of business and industry determines the sustainability of our communities. Please reflect on the potential negative economic and job impacts, as well as the inevitable rise of consumer prices resulting from Proposition 15 as you consider endorsement of this measure.

Respectfully,

Joe Halsell, President  
EconAlliance Board of Directors