



CalTaxReports

California Taxpayers Association

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PROPERTY TAX:

Major Growth in Assessment Rolls Reported Throughout the State

Local governments are poised to receive major increases in property tax revenue this year, according to reports from assessors in counties throughout the state.

Assessors from California's 58 counties began reporting their assessment rolls – showing the value of all real property and business personal property in their counties as of the January 1, 2015, lien date – and selected counties that have released their rolls so far have reported major growth.

Santa Clara County is leading the way so far, with growth of 8.67 percent over the prior year. "The assessment roll is a barometer of yesterday's economic weather, and it's getting very hot," Santa Clara County Assessor Larry Stone said.

Many counties – including Los Angeles County, with an assessment roll substantially larger than any other county's – have been granted deadline extensions by the State Board of Equalization, and will be turning in their assessment rolls later this summer.

Here are details on the counties that had announced their rolls as of July 1:

California Taxpayers Association

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Santa Clara County Assessment Roll Grows 8.67 Percent. Fueled by what Assessor Stone called the largest economic recovery in more than a decade, the county assessment roll hit a major new milestone exceeding the \$400 billion mark. The gross assessed value hit \$409 billion, and the net taxable assessed value after exemptions was \$388 billion.

The net assessed value grew 8.67 percent, an increase of \$31 billion, from the previous year.

This is the third straight year of Silicon Valley's major economic recovery. During the last three years, the assessment roll grew in excess of \$80 billion compared to the Great Recession (2009–2012), when the total assessed value increased by \$29 billion.

"Market values are up, and in many instances way up, for every property type and geographic area of Santa Clara County," Assessor Stone said. "A good example is Silicon Valley's apartment market – it's on fire."

According to the assessor, vacancies in the apartment sector have declined to less than 3 percent, and rents increased 10 percent in 2014. In San Jose, the average rent for a two-bedroom apartment is \$2,300 a month.

Residential property values have also exploded. According to Assessor Stone, the median price of single-family homes in Santa Clara County increased 11.1 percent, to \$810,000, last year, but the average price was dramatically higher, topping out at a record \$1.1 million.

Last year, 38,000 properties in the county were assessed below their purchase price. This year, that number declined to 22,000 properties. "The residential real estate market has been so strong that some property owners will experience double-digit increases in their assessments," Assessor Stone said.



The most visible symbol of new construction in the county is Levi's Stadium (photo, left) in Santa Clara, home of the San Francisco 49ers football team. The stadium, which opened in 2014, was assessed at \$1.4 billion, reflecting the overall assessed value of the property, including fixtures and equipment owned by concessionaires.

"What's remarkable is that so many new buildings are under construction and won't be assessed to full market value until completion," Assessor Stone added. For example, the new Apple Campus, which will not be occupied for a few years, was assessed at \$820 million as of the January 1 lien date. "That's a fraction of the final market value when the iconic campus is completed and furnished," Assessor Stone said.

Contra Costa County 2015 Assessment Roll Up 7.53. Contra Costa County Assessor Gus Kramer turned in an assessment roll July 1 that is 7.53 percent larger than last year's. The increase to the local tax base for 2015-16 was more than \$12 billion in

assessed value, bringing the total local assessment roll to more than \$171.3 billion, the highest to date in the county's history.

Cities with the largest increases in assessed value from the prior year include Brentwood, at 12.29 percent, and El Cerrito, at 9.96 percent. Moraga, Hercules and Pittsburg had the lowest assessed value increases. Moraga and Hercules each had a 5.87 percent assessed value increase, and Pittsburg had an increase of 5.48 percent.

Marin County Assessment Roll Up 7.11 Percent. Marin County Assessor Richard Benson delivered the completed assessment roll June 25, and reported that the net assessed roll value, after all exemptions have been applied, closed at \$66.2 billion, a \$4.4 billion increase (7.11 percent) from 2014-15.

"This year's increase is mostly due to robust real estate market sales, appreciation of real estate values, new construction, and a 1.998 percent Proposition 13 upward adjustment in the consumer price index," Assessor Benson said. "Very strong real estate value patterns over the last three years have led to the largest assessment roll increase since the 8.5 percent increase of 2006-2007."

Orange County Assessment Roll Up 5.89 Percent. On June 29, Orange County Assessor Claude Parrish said taxable values in the county are up 5.89 percent, to a total of more than \$498.9 billion. Each of Orange County's 34 cities and the unincorporated areas had a year-to-year increase in net taxable value.

"Value changes are reflecting the Orange County real estate markets that show continued appreciation in property values this year and the restoration of values previously reduced under Proposition 8 decline-in-market-value provisions," Assessor Parrish said.

Irvine had the highest value increase by percentage (9.61 percent), followed by Westminster (8.39 percent) and Laguna Woods (8.01 percent). Seal Beach had the smallest percentage increase, at 3.78 percent. Irvine is firmly the county's number one city, with the highest total assessed value of \$60.9 billion. Newport Beach is second, with a value of \$47.4 billion, and Anaheim has the county's third highest total assessed value of \$39.7 billion.

San Diego County Assessment Roll Up 5.6 Percent. San Diego County Assessor Ernie Dronenburg announced June 24 that the 2015 assessed value of all taxable property in his county has increased 5.6 percent (\$23.4 billion) from last year.

After deducting tax-exempt properties (charitable, homeowners, disabled, etc.), the county's total net assessed value is \$439 billion.

The 2015 tax roll consists of 986,858 taxable real property parcels, 59,775 businesses, 13,019 boats, and 1,764 aircraft. For the second year in a row, all 18 cities in the county experienced assessed value growth, with Imperial Beach making the largest gain, at 7.31 percent year-over-year growth.

Solano County Assessment Roll Up 5.2 Percent. Solano County Assessor/Recorder Marc Tonnesen announced July 1 that his county's assessment roll increased \$2.296 billion over the previous year, a 5.2% increase.

"The recovering real estate market has infused value back into people's homes that was initially lost in the recession," Assessor Tonnesen said. "As a result, this is the third year in a row that the roll went up countywide. ... Though the recovering real estate market continues to play the most significant role in the increase, new construction is also beginning to be a contributing factor."

Currently, only 23,075 parcels in the county remain on Proposition 8 decline-in-value status, whereas in 2012, the market values of 78,000 properties fell below their Proposition 13 base-year values.

As of the close of the roll, the assessed value of all assessable properties in Solano County was \$46.432 billion.

Tulare County Assessed Value Up 5.1 Percent. According to Tulare County Assessor Roland Hill, the 2015 assessment roll is 5.1 percent higher than last year's. Total value is \$30.6 billion. Visalia, with \$9.9 billion in assessed value, has just about one-third of the assessed value in the county, but the largest percentage increases were in the cities of Farmersville (8.6 percent) and Lindsay (8.2 percent). Woodlake had the smallest growth, at 2.99 percent.

San Bernardino County Assessment Roll Up 5.08 Percent. San Bernardino County Assessor Bob Dutton announced June 26 that values on the county's 2015 assessment roll are up 5.08 percent from the prior year. The assessment roll contains 820,314 taxable parcels, valued at \$186,894,462,703.

The primary reasons for the increase in value are sales of existing homes, recovery of values for those that had been in Proposition 8 decline-in-value status, and the Proposition 13 Consumer Price Index adjustment. New construction also contributed to the increase, but to a lesser degree.

Assessor Dutton noted that the assessment roll this year finally reached and surpassed the previous high achieved in 2008, before the collapse of the real estate market. Three of the cities with the highest increases (Hesperia, 7.8 percent; Victorville, 6.7 percent; and Adelanto, 6.5 percent) are located in the High Desert. The balance of the county continues to see growth, as evidenced by increases of 5 percent in most cities. Unfortunately for the [city of Needles](#), values there dropped 0.5 percent.

Ventura County Assessment Roll Up 4.1 Percent. Ventura County Assessor Dan Goodwin reported June 25 that assessed values in the county are 4.1 percent higher than in 2014. More than \$4.6 billion in value has been added, bringing the total roll to \$118.6 billion. Assessor Goodwin noted that there still are properties with decline-in-value assessments, although 35,000 are assessed at a value higher than last year. There are some lower values due to rockslides, mudslides and the decline in the value of oil.

CALTAX COMMENTARY:**It's Still the Wild West for Parcel Taxes**

By Robert Gutierrez
Director of the California Tax Foundation

Beginning Wednesday, property owners throughout the state will be paying more than \$150 million in higher parcel property taxes thanks to local ballot measures that were approved last year. Some of these taxes unfairly target business property, others are imposed indefinitely, and nearly all are lacking when it comes to sound tax policy.

Last year, the California Tax Foundation published "[Piecing Together California's Parcel Taxes: An In-Depth Survey of Local Special Taxes on Property](#)," which found that property owners pay more than \$2 billion annually in local parcel taxes. The report also found that these taxes lack consistent application, and local governments don't play by the rules – because the state hasn't established any rules.

To shed light on these taxes, the California Tax Foundation last year launched the [Center for Special Taxes](#) to be a one-stop shop for taxpayers seeking to understand their local taxes. Through the site, property owners can gain access to detailed information about the taxes imposed by their local governments. Last month, the Center for Special Taxes was updated to include parcel taxes that were approved last year.

In 2014, voters approved 59 parcel taxes, 37 of which went into effect July 1. In total, these taxes increased property-related taxes by more than \$150 million (the figure actually is higher, but the aggregate effect of 28 of the measures could not be quantified).

The new parcel taxes include:

- **Marin County 911 Tax – \$72 Million.** [Measure A](#) imposes a non-uniform parcel tax to fund countywide emergency communications system at the following rates: \$29 per parcel for single-family residential parcels; and \$87 to \$174 per parcel for business property, depending on the acreage of the parcel, plus \$29 per acre for each acre or portion thereof for parcels of more than 1 acre in size. The tax has other rates for agricultural property and apartment parcels. The tax sunsets June 30, 2035.
- **Oakland Public Safety Tax – \$15.6 Million.** [Measure Z](#) imposes a non-uniform parcel tax to fund police, fire and emergency response services at the following rates: \$99.77 per single-family residential parcel, \$68.15 per unit for multi-unit residential parcels, and \$51.09 per "single-family equivalent." For business property, the rate is calculated by a formula based on a parcel's frontage (the width of the front of the property) and the parcel's improvement square footage. The tax may be increased annually up to 5 percent. Properties exempt from the tax include certain low-income households, foreclosed properties, and affordable housing projects. The tax sunsets June 30, 2025.

- **San Jose Library Tax – \$8 Million.** [Measure B](#) imposes a non-uniform parcel tax to fund the San Jose city library system, at the following rates: \$29.84 per single-family residential parcel (including condos and townhomes), \$11.19 to more than \$800 per multi-family residential parcel, and \$44.73 to more than \$800 per parcel for business property (depending on zoning). The tax sunsets June 30, 2039.

As illustrated by these examples, business property remains the target of many parcel tax proposals. Adding per-acre surcharges makes parcel taxes that much more costly.

Taxes like the one levied by the city of Oakland are extremely complex, and ripe for litigation. First, cities aren't in the practice of assessing properties, nor measuring the street frontage of a property. Such tax structures harken back to 17th century Europe, where the Dutch taxed properties based on frontage – influencing many property owners in Amsterdam and other cities to build tall, narrow properties to avoid higher taxes.

For a complete list of the recently approved taxes, [click here](#).

With the exception of a \$2.6 million parcel tax in the Altadena Library District, a \$1.1 million parcel tax in the Bear Valley Healthcare District, and a \$2.6 million tax in the La Canada Unified School District, the remaining taxes approved in 2014 will impact property owners in Northern California.

Unlike local transactions (sales) and use taxes, utility users' taxes, or even hotel taxes, parcel taxes do not have a unifying state statute that defines which local governments can impose the tax, what can be taxed, effective dates and sunset dates, or how a tax can be imposed.

When the California Tax Foundation report was released, I noted that the parcel tax system "can leave property owners feeling like they're in the Wild West, where anything goes."

The parcel taxes that went into effect this week demonstrate that it's still the Wild West for parcel taxes. Reform of the parcel tax is critical if the tax is to remain a legitimate source of revenue for local governments.

A list of the California Tax Foundation's recommendations to improve the parcel tax structure can be viewed [here](#) (see page 15 of the report).

COURTS:

U.S. Supreme Court Grants FTB's Request to Review *Hyatt* Case

The U.S. Supreme Court announced June 30 that it has granted the Franchise Tax Board's request to review *Franchise Tax Board v. Gilbert Hyatt*, in which a Nevada jury found that the FTB committed fraud against inventor Gilbert Hyatt and intentionally inflicted emotional distress upon him.

The jury's 2008 decision was upheld last year by the Nevada Supreme Court. The FTB was ordered to pay Mr. Hyatt more than \$1 million in damages for the fraud count, and a trial is pending to determine the amount of damages the agency must pay for the emotional

distress. The jury had awarded Mr. Hyatt \$85 million in damages for the emotional distress claim.

“Hyatt suffered extreme treatment from FTB,” the Nevada Supreme Court wrote last year. “FTB disclosed personal information that it promised to keep confidential and delayed resolution of Hyatt’s protests for 11 years, resulting in a daily interest charge of \$8,000. Further, Hyatt presented testimony that the auditor who conducted the majority of his two audits made disparaging remarks about Hyatt and his religion, was determined to impose tax assessments against him, and that FTB fostered an environment in which the imposition of tax assessments was the objective whenever an audit was undertaken. These facts support the conclusion that this case is at the more extreme end of the scale, and therefore less in the way of proof as to emotional distress suffered by Hyatt is necessary.”

The FTB asked the U.S. Supreme Court to review three questions:

- Whether the federal discretionary-function immunity rule, 28 U.S.C. §2680(a), is categorically inapplicable to intentional torts and bad-faith conduct.
- Whether Nevada may refuse to extend to sister states haled into Nevada courts the same immunities Nevada enjoys in those courts.
- Whether *Nevada v. Hall* (1979) 440 U.S. 410, which permits a sovereign state to be haled into the courts of another state without its consent, should be overruled.

The high court granted the request to review the case in light of the latter two questions.

In his petition asking the court to leave the Nevada court’s decision intact, Mr. Hyatt stated: “Nevada obviously has no control over the hiring and training of California tax officials, and it cannot exert influence over their apparent willingness to violate Nevada’s tort laws. Consequently, it had no ability to rein in California tax officials once they embarked upon an offensive, and wholly inappropriate, personal campaign to ‘get’ a Nevada resident. Instead, Nevada was left with the after-the-fact option of awarding compensation for the harm caused by the Board’s deliberate and malicious acts. The Nevada Supreme Court’s decision to allow full compensation – rather than directly or indirectly giving priority to California’s immunity laws – was well within the bounds of Nevada’s own sovereign authority.”

Mr. Hyatt added: “[W]e note the irony created by the Board’s attempt to invoke (albeit, at second hand) the protection of a damages cap for Nevada officials under Nevada law. It may be recalled that, when the shoe was on the other foot in *Nevada v. Hall*, Nevada officials sought protection under the very same Nevada law in the California courts, only to be told by the California courts that they would not apply it. ... As a result, Nevada officials were exposed to unlimited damages in California for a claim of negligence. Here, of course, Nevada voluntarily accorded the Board complete immunity against negligence claims as a matter of comity, and the Board finds itself obligated to pay damages at all only because it went well beyond the bounds of simple negligence and undertook a calculated campaign aimed at causing harm to a Nevada resident. Given these circumstances, the Board’s demand for additional immunity is particularly unjustified.”

USA Today on June 30 called the case “the new War Between the States.”

This is not the first trip to the U.S. Supreme Court for this case. In April 2003, the nation’s high court ruled unanimously that Mr. Hyatt could sue the FTB in Nevada, rejecting the FTB’s argument that its auditors were immune from being sued for on-the-job conduct. Writing the decision for the court, Justice Sandra Day O’Connor noted that Nevada does not provide immunity to government employees who commit intentional torts, and said California was trying to elevate its sovereign interests above those of Nevada.

LEGISLATIVE UPDATE:

Assembly Passes Non-Uniform Parcel Tax Bill

Legislation allowing school districts to place non-uniform parcel tax proposals on the ballot was approved by the Assembly on June 29 by a 53-16 vote ([SB 371](#), Hancock).

The bill allows districts to exempt from parcel taxes any or all of the following: persons 65 and over, persons receiving Supplemental Security Income (SSI), and disabled people with less than a specified income. Currently, districts are required to exempt all of these people, or none.

The bill passed the Senate in the same form in May, and now goes to the governor for his consideration.

Proponents contend that the bill is declaratory of existing law, and is needed simply to avoid possible confusion.

CalTax and other opponents believe parcel taxes should be uniform, and that it is bad precedent to exempt some properties from the tax based upon who owns the property. Among other things, this allows some categories of property owners to vote to impose new taxes that they will not have to pay.

In other legislative activity:

Mortgage Debt Relief Bill Gets Senate Appropriations Committee OK. A long-awaited mortgage debt relief bill ([AB 99](#), Perea) moved another step closer to passage June 29 when the Senate Appropriations Committee approved the bill by a 6-0 vote.

In conformity with federal law, the bill extends the state exclusion of mortgage forgiveness debt relief for one additional year, through the 2014 taxable year.

CalTax supports the bill, and notes that without it, some people will be taxed on phantom income, as existing law counts debt relief as income, even though no money is received that can be used to pay taxes.

The Franchise Tax Board estimates that the bill would result in general fund revenue losses of \$47 million in 2014-15 and \$5.2 million in 2015-16. According to committee staff: “The FTB’s estimate of revenue loss employs a ‘top-down’ methodology that begins with the exclusion’s estimated revenue loss nationally (prepared by the Joint Committee on Taxation) and then applies ‘California factors’ to determine the amount of the

estimated loss that would occur in California.” (CalTax: As a practical matter, the revenue impact likely would be much less than estimated by the FTB, because under the “blood from a turnip” principle, people who lose their homes and obtain mortgage debt relief are unlikely to be able to pay taxes on the phantom income.)

Proposed Change in Property Tax Allocations Benefits New Cities. A change in the allocation of the property tax was approved by the Senate Appropriations Committee by a 6-0 vote June 29 ([AB 448](#), Brown).

Property tax allocation issues are highly complex. **AB 448** revises the annual “vehicle license fee (VLF) adjustment amounts” to account for city annexations of inhabited territory since 2004. The bill results in a one-time permanent shift of property tax revenue to those cities from the school share, which would be built into property tax allocation formulas going forward.

According to the Appropriations Committee’s staff, this bill would result in a shift of approximately \$5 million statewide from certain county accounts for schools to cities. The city of Fontana stands to gain about \$800,000.

Water Tax Not Flowing Yet. The Assembly Local Government Committee on July 1 heard testimony, but did not vote, on [SB 789](#) (Wieckowski), authorizing local public water suppliers to impose, subject to two-thirds voter approval, an excise tax on “excessive water users,” who are undefined in the bill, at a rate up to 300 percent of the purchase price of water. The author indicated he will amend the bill to try to clarify the definition of “excessive water users.”

NEW WINE IN OLD BOTTLES: **Recently Amended Bills of Interest**

Legal Entity Changes in Ownership. [SB 259](#) (Bates), originally relating to health care professionals, was amended June 29, in a gut-and-amend maneuver, to expand property tax change-in-ownership provisions to specified sales of legal entity ownership interests.

Current law extends Proposition 13 change-in-ownership reassessment provisions to property of legal entities only when there is an *acquisition* of more than 50 percent of the ownership interest of a legal entity that owns California real property by an individual or other legal entity, not the *sale* or *transfer* of such interests.

SB 259 triggers a change-in-ownership reassessment of legal entity property when at least 90 percent of the legal entity interests are sold, even if no one person gets a majority interest in the legal entity. To trigger reassessment, these ownership interests must be sold or transferred within a 36-month period as part of a plan. Excluded from the change-in-ownership reassessments are sales of stock of a publicly traded corporation or partnership on an established securities market, as defined by federal law, and transfers at death without payment for ownership interests.

The bill also increases the penalty for failure to file a change-in-ownership statement, from 10 percent to 15 percent of the taxes applicable to the new base-year value (or old base-year value, if there is no change in ownership).

The bill requires the State Board of Equalization to notify assessors if a legal entity change in ownership occurs. The board also is required to submit a report to the Legislature by 2021 regarding the implementation of the bill, including economic impact (which should mean more than just the revenue impact) and frequency of reassessment.

(**CalTax:** On June 3, 2014, the Second District Court of Appeal held that the sale of the legal entity that owned Santa Monica's Miramar Hotel did not trigger a change-in-ownership reassessment of the hotel – *Ocean Avenue LLC v. County of Los Angeles* – even though 100 percent of ownership interests were sold, because a reassessable change-in-ownership of the entity's real property did not occur. This was because no one person obtained more than 50 percent of the entity's ownership interests, the court ruled. Under the provisions of **SB 259**, the property in question would have been reassessed.)

Vote: Two-Thirds.

NEW LEGISLATION:

Recently Introduced Bills of Interest

Diversion of Cap-and-Trade Money to Finance Road Construction. [SBX1 2](#) (Huff) diverts cap-and-trade "tax" money to finance streets and highway construction projects. The intent language of the bill calls the funds derived from the cap-and-trade program "taxes," and specifies that the bill would not provide additional funding to the high-speed rail project. Vote: Majority.

High-Speed Rail Bonds for Road Repairs. [SBX1 3](#) (Vidak) restricts the sale of bonds for funding high-speed rail, requires that unspent proceeds from high-speed rail bonds already sold be used to retire high-speed rail bond debt, and makes future proceeds from these bonds available to the Department of Transportation for repair and new construction of roads. Vote: Two-Thirds.

WASTE, FRAUD & MISMANAGEMENT:

Your Tax Dollars at Work

Suit Alleges Los Angeles School District Not Using New School Aid Dollars as Intended. The Community Coalition of South Los Angeles (founded by former Assembly Speaker Karen Bass) and parent Reyna Frias have filed suit charging that the Los Angeles Unified School District is not spending new money from Governor Jerry Brown's educational reform program as intended. The plaintiffs are represented by attorneys from a number of organizations, including Public Advocates and the ACLU Foundation of Southern California.

John Affeldt, speaking for Public Advocates, said the district is spending the money on special education, but the new law requires the funds to be allocated for programs for needy students, non-English-speaking students and foster home students.

A spokesman for the district said the parties that filed the suit misinterpreted how the new law works. "The Legislature clearly granted school districts – which predominantly serve

low-income students, foster youth and English-language learners – the highest degree of flexibility in determining student program needs,” a district statement said.

The plaintiffs also are suing Los Angeles County Superintendent Arturo Delgado, who approved the school district’s accounting methods.

This spring, the district and United Teachers Los Angeles – the teachers’ union – negotiated a \$1 billion health care package and a 10 percent raise, phased in over two years, that will add \$250 million in payroll costs. (Sources: *Los Angeles Times*, July 1; *EdSource*, July 1.)

Grand Jury Finds Orange County’s 119 Mello-Roos Tax Districts Lack Oversight. A grand jury in Orange County this week concluded that the county’s 119 Mello-Roos taxing districts are poorly overseen and lack transparency for taxpayers to monitor how their money is spent.

The grand jury recommended that the county and the 31 other agencies that administer the Mello-Roos districts in the county form an oversight committee and make detailed financial audits available to residents. The grand jury also concluded that many documents and reports about the districts “use general, vague language that does not meet the requirements and intent” of the Mello-Roos law.

Mello-Roos taxes are imposed in addition to standard property taxes. Together, the 119 districts in Orange County collect more than \$2 billion in tax revenue, with another \$500 million anticipated as more housing is built in Irvine and Rancho Mission Viejo. The county oversees 23 of the districts, worth more than \$830 million in revenue, and is the largest administrator of the group.

The revenue from the Mello-Roos taxes is supposed to be used to fund public infrastructure, including schools and roads. The grand jury noted that while many homeowners pay the taxes, “few understood how and why they were formed, how long they lasted, and how the funds were spent.”

The taxing agencies have 90 days to respond to the grand jury report. (Source: *Orange County Register*, July 1.)

POTPOURRI:

Symposia, Sightings, Salutes & Snafus

State Lets Testing Contract Lapse, Cancels High School Graduation Test – Are Graduations Legal? State law requires high school seniors to pass a specified state test to graduate. However, state education officials allowed the testing contract with Education Testing Service to lapse, then canceled the graduation test. According to *EdSource*, about 5,000 seniors are missing the opportunity to take the July exam, which often is the final chance to graduate over the summer.

Did education officials deliberately allow the test contract to expire? The education establishment does not like testing, and State Superintendent Tom Torlakson and the California Teachers Association are supporting [SB 172](#) (Liu), which would suspend the

administration of the high school exit examination, and the requirement that students pass this exam as a condition of graduation from high school, during the 2016-17 through 2018-19 school years, or when the high school exit exam is no longer available.

Senator Carol Liu's bill already has passed the Senate. According to the Senate Appropriations Committee, the suspension of the high school exit examination would result in estimated savings of up to tens of millions of dollars in Proposition 98 general fund and federal fund savings over a multi-year period.

In past years, the vast majority of all students who took the test passed it. According to *EdSource*, in 2014, 95.5 percent of students passed the test. (Sources: Office of the Legislative Counsel, June 26, and *EdSource*, June 26.)

TAX TRIVIA:

A Tax On Patriotism?

In 2014, during a debate over a tax proposed by Governor Jerry Brown as part of the budget, then-Assemblyman Tim Donnelly said: "What's that, a patriot tax? Is there going to be a tax on patriotism?" What was the governor seeking to tax? (Answer on the last page.)

BLAST FROM THE PAST:

No Taxation Without Representation

"The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States. To prove this, let Facts be submitted to a candid world. ... He has erected a multitude of New Offices, and sent hither swarms of Officers to harrass our people, and eat out their substance. ... For imposing Taxes on us without our Consent In every stage of these Oppressions We have Petitioned for Redress in the most humble terms: Our repeated Petitions have been answered only by repeated injury. A Prince whose character is thus marked by every act which may define a Tyrant, is unfit to be the ruler of a free people. ...We, therefore, the Representatives of the united States of America, in General Congress, Assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do, in the Name, and by Authority of the good People of these Colonies, solemnly publish and declare, That these United Colonies are, and of Right ought to be Free and Independent States; that they are Absolved from all Allegiance to the British Crown, and that all political connection between them and the State of Great Britain, is and ought to be totally dissolved; and that as Free and Independent States, they have full Power to levy War, conclude Peace, contract Alliances, establish Commerce, and to do all other Acts and Things which Independent States may of right do. And for the support of this Declaration, with a firm reliance on the protection of divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor."

- From the [Declaration of Independence](#), July 4, 1776

Tax Trivia Answer: Fireworks. The proposal was not approved by the Legislature.
(**CalTax:** According to information presented by the governor's administration during the debate over the fireworks tax, the state typically seizes approximately 100,000 pounds of illegal fireworks every year, and the disposal cost is \$6 per pound due to environmental laws and other bureaucracy. The state sends the fireworks to Environmental Protection Agency-approved destruction sites, the closest of which are in Missouri and Louisiana.)