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September 13, 2000

Hon. Bill Lockyer  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Tricia Knight  
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Section 9005 of the Elections Code, we have reviewed the proposed initiative entitled the "McNeil Police and Firefighters Property Tax Disability Exemption" (File No. SA 2000 RF 0024).

**Major Provisions**

The State Constitution currently allows the Legislature to exempt from property taxation all or part of a disabled veteran's or surviving spouse's home. The Legislature has chosen to exempt varying amounts of disabled veterans' home values from taxation, based on the extent of their disability and the veteran's income. For instance, for a veteran with total disability, \$100,000 of their home's assessed value is exempt from taxation. For low-income veterans with total disability, \$150,000 of assessed value is exempt from taxation.

This measure amends the Constitution to allow the Legislature to expand the veterans' exemption to include peace officers and/or firefighters. Like with the veterans' exemption, the exemption for peace officers and firefighters could only be made available to those individuals who, while on duty, suffered injuries leading to blindness, the

loss of two or more limbs, or total disability. For those individuals that died as a result of service injuries or diseases, an unmarried surviving spouse could claim the exemption. Individuals claiming this exemption would not be eligible for any other property tax exemption on their home, such as the \$7,000 homeowners' exemption available to all California homeowners.

### **Fiscal Effect**

The measure amends the Constitution to *allow* the property tax exemption for peace officers and firefighters, but the Legislature would need to *establish* the exemption in state law for it to become effective. As a result, without legislative action, the measure would have no fiscal effect. If the Legislature did choose to establish a property tax exemption after the passage of this measure, it would have broad discretion over the type of program to establish. If the Legislature approved an exemption program similar to the one for disabled veterans, it would likely result in reduced local property tax revenues of several million dollars annually. School districts would realize about half of these property tax revenue losses, and in most cases, state spending on education would increase to make up (or "backfill") for these losses.

### **Summary**

The measure would result in the following major fiscal impact:

- Dependent on legislative action, potential loss of local property tax revenues of several million dollars annually, with about half of any losses made up by increased state spending.

Sincerely,

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Elizabeth G. Hill  
Legislative Analyst

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B. Timothy Gage  
Director of Finance