

Rob Reiner

SA2003RF0057, AMOT.  
#1-NS

RECEIVED

NOV 21 2003

INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

November 21, 2003

**VIA MESSENGER**

Office of the Attorney General  
1300 "T" Street  
Sacramento, CA 95814

Attention: Tricia Knight

Re: Improving Classroom Education Act

Dear Ms. Knight:

Enclosed is a revised copy of the "Improving Classroom Education Act," which we filed on November 14, 2003. We have amended Section 6 of the Act to make absolutely clear that the new tax on commercial property is in addition to the existing tax. We have also included the addresses at which we are registered to vote and the signed statements certifying that we will not willfully allow initiative signatures to be used for purposes other than qualification of the measure.

Please direct all correspondence and inquiries regarding this measure to:

Robin B. Johansen  
Remcho, Johansen & Purcell  
201 Dolores Avenue  
San Leandro, CA 94577  
Phone: (510) 346-6200

Sincerely,

Rob Reiner

SA2003RF0057, AmDt.#  
1-NS

**Signed Statement Required by Elections Code Section 9608**

I, Rob Reiner, acknowledge that it is a misdemeanor under state law (Section 18650 of the Elections Code) to knowingly or willfully allow the signatures on an initiative petition to be used for any purpose other than qualification of the proposed measure for the ballot. I certify that I will not knowingly or willfully allow the signatures for this initiative to be used for any purpose other than qualification of the measure for the ballot.

Rob Reiner

Dated this 21st day of November, 2003

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Please direct all correspondence and inquiries regarding this measure to:

Robin B. Johansen  
Remcho, Johansen & Purcell  
201 Dolores Avenue  
San Leandro, CA 94577  
Phone: (510) 346-6200

Sincerely,

Barbara Kerr

**RECEIVED**

NOV 21 2003

INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

SA2003RF0057, AmDt.

#1-NS

Signed Statement Required by Elections Code Section 9608

I, Barbara Kerr, acknowledge that it is a misdemeanor under state law (Section 18650 of the Elections Code) to knowingly or willfully allow the signatures on an initiative petition to be used for any purpose other than qualification of the proposed measure for the ballot. I certify that I will not knowingly or willfully allow the signatures for this initiative to be used for any purpose other than qualification of the measure for the ballot.

Barbara Kerr

Dated this 21st day of November, 2003

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INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

**Section 1: Title.**

This measure shall be known and may be cited as the "Improving Classroom Education Act."

**Section 2: Findings and Declaration of Purpose.**

1. We must invest in our children's education. Providing a quality education for our children is the most important thing we can do for their future and the future of our state.
2. California must make children and classrooms the priority in school funding.
3. California schools continue to be underfunded. Education funding in California has been below the national average for more than a decade.
4. Because of the state budget crisis, education spending in California has been cut by billions of dollars. These cuts have resulted in teacher lay-offs, fewer textbooks and other classroom materials, as well as increased class size. We need to restore these cuts and ensure that our classrooms are adequately funded.
5. As a result of chronic underfunding, California class sizes are among the largest in the nation, denying children the individualized learning they deserve.
6. California must improve student performance by increasing funding to reduce class sizes, provide new instructional supplies and materials, offer teacher training and increase teacher compensation in order to attract the best and brightest into the teaching profession.
7. Studies show that children who go to preschool do better in reading and math and are more likely to graduate from high school and college. That is why we should give all children access to voluntary universal preschool to help them succeed.
8. A well-educated workforce increases productivity and quality for California businesses.
9. Education programs should be funded without raising homeowners' property taxes or reducing important services such as police and fire protection.
10. Unlike single-family residences, commercial buildings produce income for their owners. Business property changes ownership less often than houses, so the share of property taxes paid by businesses has been declining. Furthermore, California commercial real property tax rates are among the lowest in the nation. It makes sense, therefore, to tax commercial real property at a higher rate than private homes. The increased revenues will be used to improve the quality of California's public schools. Small businesses will be protected by new exemptions from the personal property tax.

11. We must provide protections from waste and mismanagement. None of the funds in this initiative will be used for administrative overhead. It also provides for criminal penalties, loss of credentials and/or fines for administrators who misuse school funds.

12. The annual audit required by this initiative will ensure that every penny goes into our classrooms, where it is needed most.

13. We must ensure that these funds are used for improving learning. None of the funds in this initiative can be used to replace or supplant existing funding.

### **Section 3. Purpose and Intent.**

This measure is not intended to alter or repeal any exemption currently applicable to taxes on real property or to increase or in any way affect the property taxes paid by homeowners on noncommercial property.

### **Section 4. Section 5.5 is hereby added to Article IX of the Constitution of the State of California, to read as follows:**

*Sec. 5.5. (a) The Improving Classroom Education Fund is hereby created in the State Treasury to be held in trust for the purposes set forth below and is continuously appropriated for the support of school districts as follows:*

*(1) Two-thirds (2/3) for the support of the K-12 educational program, the funds to be distributed to school districts based on enrollment;*

*(2) One-third (1/3) to provide voluntary universal pre-school for children one year prior to kindergarten, the funds to be distributed based on preschool enrollment.*

*(b) Improving Classroom Education Funds dedicated to the support of the K-12 educational program shall not be used to pay administrative costs and may be used for the following educational purposes only:*

*(1) To reduce class size in grades kindergarten through 12, inclusive.*

*(2) To purchase textbooks and instructional materials, supplies, and equipment.*

*(3) To provide teacher salaries and benefits that will encourage qualified individuals to become teachers and to remain teachers in California's public schools.*

*(4) To provide training for teachers.*

*(c) Improving Classroom Education Funds dedicated to the support of voluntary, universal preschool may only be used to provide preschool programs, including:*

(1) *To provide salaries and benefits for certificated, permit, and classified employees, provided, however, that no Improving Classroom Education Funds shall be used for administrative costs other than those for clerical functions such as maintaining pupil and personnel records;*

(2) *To provide training for teachers;*

(3) *To purchase textbooks and instructional materials, supplies, and equipment.*

(4) *For renovation, rental, or leasing of facilities, provided that Improving Classroom Education Funds shall not be used for construction of new facilities;*

(5) *For purchase of school furniture and other school equipment.*

(d) *The amounts deposited in the Improving Classroom Education Fund shall be used exclusively for the purposes set forth in this section. No moneys in the Improving Classroom Education Fund shall be used to supplant federal, state, or local funds used for educational programs. The Legislature shall set penalties, including loss of credentials, fines, and/or criminal prosecution for school district administrators who misuse funds appropriated and allocated pursuant to this Section and Section 5.6 of this Article.*

(e) *None of the provisions of this Section or of Section 5.6 shall alter or affect any right to equal protection provided by this Constitution.*

**Section 5. Section 5.6 is hereby added to Article IX of the Constitution of the State of California:**

*Sec. 5.6. (a) Elementary and unified school districts shall provide for a program of free, voluntary preschool for children one year prior to kindergarten. The program shall be staffed by school districts or combinations of school districts or county offices of education using employees of a school district or a county office of education.*

*(b) School districts shall have a transition period to implement the requirements of this Section as provided by law.*

**Section 6. Section 1 of Article XIII A of the Constitution of the State of California is hereby amended to read:**

*Sec. 1 (a). ~~The~~ Except as provided in subdivisions (b), (e) and (f), the maximum amount of any ad valorem tax on real property shall not exceed One percent (1%) of the full cash value of such property. No new ad valorem taxes shall be imposed on residential real property except for taxes identified in subdivisions (e) and (f). The one percent (1%) tax ~~to~~ shall be collected by the counties and apportioned according to law to the districts within the counties.*

*(b) Notwithstanding any other provision of law or of this Constitution, in addition to the ad valorem property tax on real property imposed pursuant to subdivision (a), the following ad valorem taxes are imposed on commercial real property.*

*(1) On commercial real property other than commercial residential rental property, an additional ad valorem property tax at the rate of .55 percent of the full cash value of that property.*

*(2) On commercial residential rental property, an additional ad valorem property tax at a rate, as prescribed by statute, not greater than .55 percent of the full cash value of that property.*

*(c) The ad valorem tax imposed by subdivision (b) shall be collected by the counties and transferred to the State Treasury for distribution pursuant to Section 8.6 of Article XVI.*

*(d)(1) For purposes of this section, "residential real property" means any of the following:*

*(A) An owner-occupied single-family dwelling unit which is intended to be used and is used primarily as a permanent residence;*

*(B) A second home and the land on which that dwelling unit is constructed;*

*(C) Unimproved real property that is zoned for a single-family residential dwelling.*

*(2) For purposes of this section, the following property shall not be considered commercial real property:*

*(A) Real property used for commercial agricultural production, as defined by statute;*

*(B) Open space and historically significant property as defined in Section 8 of Article XIII;*

*(C) Taxable government-owned property as defined in Section 11 of Article XIII.*

*(3) For purposes of this section, "commercial real property" means all real property not defined in paragraphs (1) or (2) or not otherwise exempt from taxation pursuant to any provision of this Constitution.*

*(b) (e) The limitations provided for in subdivisions (a) and (b) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any of the following:*

*(1) Indebtedness approved by the voters prior to July 1, 1978.*

*(2) Bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.*



(3) Bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters of the district or county, as appropriate, voting on the proposition on or after the effective date of the measure adding this paragraph. This paragraph shall apply only if the proposition approved by the voters and resulting in the bonded indebtedness includes all of the following accountability requirements:

(A) A requirement that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(e)(3), and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

(B) A list of the specific school facilities projects to be funded and certification that the school district board, community college board, or county office of education has evaluated safety, class size reduction, and information technology needs in developing that list.

(C) A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed.

(D) A requirement that the school district board, community college board, or county office of education conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

(e) (f) Notwithstanding any other provisions of law or of this Constitution, school districts, community college districts, and county offices of education may levy a 55 percent vote ad valorem tax pursuant to subdivision (b)-(e) on all property described in subdivisions (a) and (b) that is not otherwise exempt from taxation.

**Section 7. Section 3.7 is added to Article XIII A of the California Constitution to read:**

*Sec. 3.7. In addition to any personal property tax exemption established in accordance with Section 2 of Article XIII, a personal property tax exemption may be established by statute to provide aid to businesses in that amount as provided for in paragraph (1) of subdivision (b) of Section 8.6 of Article XVI.*

**Section 8. Section 8.3 is added to Article XVI of the California Constitution to read:**

*Sec. 8.3 (a) Funds appropriated pursuant to subdivision (a) of Section 5.5 of Article IX shall not be deemed to be part of "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" as that term is used in paragraphs (2) and (3) of subdivision (b) of Section 8.*

*(b) Revenues derived from the taxes imposed pursuant to subdivision (b) of Section 1 of Article XIII A shall not be deemed to be "General Fund revenues which may be appropriated pursuant to Article XIII B" as that term is used in paragraph (1) of subdivision (b) of Section 8.*

*nor shall they be considered in the determination of "per capita General Fund revenues" as that term is used in paragraph (3) of subdivision (b) and in subdivision (e) of Section 8.*

*(c) Notwithstanding Section 16, revenues derived from the taxes imposed on taxable property in a redevelopment project pursuant to subdivision (b) of Section 1 of Article XIII A shall not be used for any purpose other than those set forth in Section 8.6.*

**Section 9. Section 8.6 is added to Article XVI of the California Constitution to read:**

*Sec. 8.6 (a). During each fiscal year, from the revenues generated by the additional ad valorem property tax imposed pursuant to subdivision (b) of Section 1 of Article XIII A, the Controller shall calculate and transfer to the State General Fund the amount necessary to offset the decrease in State personal and corporate income tax revenues caused by increased deductions taken as a result of the additional ad valorem property tax imposed pursuant to paragraph (1) of subdivision (b) of Section 1 of Article XIII A.*

*(b) The Controller shall allocate the revenues remaining after the distribution made pursuant to subdivision (a) as follows:*

*(1) Ten percent for aid to businesses as set forth in law;*

*(2) The remainder, including any interest earned thereon, to the Improving Classroom Education Fund for allocation and distribution as set forth in Sections 5.5 and 5.6 of Article IX*

**Section 10. Section 14 is hereby added to Article XIII B of the Constitution to read:**

*Sec. 14 (a). For purposes of this article, "proceeds of taxes" shall not include the revenues derived from the taxes imposed pursuant to subdivision (b) of Section 1 of Article XIII A.*

*(b) For purposes of this article, "appropriations subject to limitation" of each entity of government shall not include appropriations of revenues derived from the taxes imposed pursuant to subdivision (b) of Section 1 of Article XIII A.*

*(c) The duty to collect the tax imposed by subdivision (b) of Section 1 of Article XIII A shall not be considered a new program or higher level of service mandated by the State for purposes of this article.*

**Section 11. Chapter 1.5 is hereby added to Part 9 of Division 1 of Title 1 of the Education Code, to read as follows:**

## CHAPTER 1.5 THE IMPROVING CLASSROOM EDUCATION ACT

### ARTICLE 1. GENERAL PROVISIONS

*Sec. 14100. For purposes of this Chapter and Sections 5.5 and 5.6 of Article IX of the California Constitution, the following shall apply:*

*(a) "School districts" shall include county offices of education and any programs or schools operated under the supervision of a county office of education.*

*(b) "Teacher" means a non-management certificated or teacher permit employee of a school district or county office of education.*

*(c) "Enrollment" in the K-12 educational program includes pupils enrolled in a charter school all of whose teachers hold a Commission on Teacher Credentialing certificate, permit, or other document equivalent to that which a teacher in other public schools would be required to hold.*

*Sec. 14101. Each school district shall prepare and file with the State Superintendent of Public Instruction an annual audit of the funds received from the Improving Classroom Education Fund. The audit may be prepared separately or as part of any annual audit required by the State, but it shall show how the funds were spent by category and program. School districts shall post the audit reports required pursuant to this Section on their Internet web sites. If a district does not maintain an Internet web site, it shall forward its audit to the State Superintendent of Public Instruction, who shall post it on the State Superintendent's web site.*

*Sec. 14102. The Superintendent of Public Instruction shall not include funds distributed pursuant to this chapter in calculating and apportioning funds as provided in Sections 2558, 42238, or 56836.08, nor shall such revenues be included in a school district's expenditures for purposes of calculating the district's required reserve for economic uncertainties pursuant to Section 33128.*

### ARTICLE 2. VOLUNTARY UNIVERSAL PRESCHOOL

*Sec. 14110. (a) By July 1, 2011, every elementary and unified school district shall provide a program of free, voluntary preschool to all children in their districts one year prior to kindergarten, provided, however, that districts may join together to meet their obligation under this Section. A high school district may provide a voluntary preschool program for children of its own pupils.*

*(b) For purposes of the Improving Classroom Education Act, "one year prior to kindergarten" means access to a program that commences one year prior to the date a child is eligible to attend kindergarten.*

**Sec. 14111.** For purposes of Section 5.6 of Article IX of the California Constitution, a program of free, voluntary preschool for children one year prior to kindergarten shall include all of the following:

- (a) Classes of no more than 20 children taught by at least one teacher holding a teaching credential or permit issued by the State Commission on Teacher Credentialing;
- (b) A minimum of 180 instructional minutes per day for 175 days each year;
- (c) A curriculum that is age and developmentally appropriate and aligned with statewide academic standards for elementary education.

**Sec. 14112.** (a) School districts shall have a transition period of five years from July 1, 2005 to implement the requirements of this Section. The transition period may be extended for up to two years as provided in subdivision (f).

(b) During the transition period, districts may use funds from the universal preschool portion of the Improving Classroom Education Fund for any of the purposes identified in subdivision (c) of Section 5.5 of Article IX of the California Constitution, as well as for workforce recruitment and certification, provided, however, that districts shall only use transition funding to further the implementation of a program of free, voluntary preschool.

(c) During the transition period, the State Controller shall allocate and distribute the amounts available to school districts from the universal preschool portion of the Improving Classroom Education Fund as follows:

(1) By July 15 of each year during the transition period the State Controller shall determine the projected amount that will be transferred during that fiscal year into the portion of the Improving Classroom Education Fund dedicated to universal preschool pursuant to Section 5.5 of Article IX.

(2) The Controller shall determine the statewide per pupil amount available to school districts for every child enrolled in a universal preschool program during each fiscal year by dividing seventy percent (70%) of the statewide kindergarten enrollment for the prior school year into the amount determined pursuant to paragraph (1).

(3) By the tenth day of each month during the school year, school districts shall report to the Controller their average enrollment for the previous month in preschool programs that meet the requirements of Section 14111, including programs that meet the requirements of Section 14114.

(4) At least twice during the school year, the Controller shall determine a school district's average preschool enrollment using the figures submitted pursuant to paragraph (3) and multiply that by the statewide per pupil amount determined pursuant to paragraph (2). The resulting amount shall be apportioned and distributed to the school districts in at least two payments during the fiscal year for support of voluntary universal preschool programs, provided, however, that by September 10, 2005 the Controller shall distribute to school districts

*an amount equal to the statewide per pupil amount multiplied by the number of children in the district enrolled in preschool as of August 30, 2005.*

*(d) In order to prepare for full implementation by 2011, school districts shall receive transition funding from the preschool portion of the Improving Classroom Education Fund to recruit, pay and train staff, purchase instructional materials and supplies, and provide facilities for preschool. On or before July 31 of each year, the Controller shall apportion transition funding to the school districts as follows:*

*(1) The Controller shall calculate 70% of the district's kindergarten enrollment for the prior school year;*

*(2) From the amount calculated pursuant to paragraph (1), the Controller shall subtract the number of pupils enrolled in a preschool program for which the district receives funds pursuant to subdivision (a) of this Section;*

*(3) The Controller shall multiply the number calculated pursuant to paragraph (2) by 80% of the statewide per pupil amount calculated pursuant to subdivision (a) of this Section. The resulting amount shall be distributed to the school district as transition funding.*

*(e) In order to be eligible to receive transition funding pursuant to this Section, a school district must submit a plan to the State Superintendent of Public Instruction describing how the district will achieve full compliance with the Improving Classroom Education Act by July 1, 2011. The superintendent of the district must certify the contents of the plan.*

*(f) If a district cannot reach full compliance with the Improving Classroom Education Act by July 1, 2011, the district may request an extension of transition funding under this Section for no more than two additional years. The State Superintendent shall grant an extension only if the district can demonstrate that its failure to comply is due to lack of facilities to house a preschool program. The district shall amend its plan to demonstrate how it will reach full compliance by July 1, 2013.*

*Sec. 14113. (a) The Controller shall segregate the funds remaining in the preschool portion of the Improving Classroom Education Fund as of December 15, 2010 as a contingency reserve. Funds received into the preschool portion of the fund after December 15, 2010 shall be distributed to school districts to provide universal voluntary preschool for the 2011-2012 school year and for every year thereafter.*

*(b) No distributions shall be made from the contingency reserve until July 1, 2015.*

*(c) After July 1, 2015, in any year in which the projected per pupil amount to be distributed from the portion of the Improving Classroom Education Fund dedicated to universal preschool falls below the per pupil amount for the previous year, the Controller shall distribute sufficient contingency reserve funds on a per pupil basis to equal the previous year's amount. If the revenues in the contingency reserve are not sufficient to equal the previous year's amount for*

*all districts, the Controller shall distribute the funds in the contingency reserve on a pro rata basis.*

*Sec. 14114. (a) Notwithstanding Section 14100, during the five-year transition period provided by the Improving Classroom Education Act, school districts may contract for the purposes identified in subdivision (c) of Section 5.5 of Article IX of the California Constitution with providers who:*

- (1) Operate a facility located within the school district;*
- (2) Operate publicly funded, licensed programs serving children who are eligible under the Improving Classroom Education Act; and*
- (3) Meet the standards of educational programs specified in Articles 6, 7, 8 and 9 of the Child Care and Development Act, commencing with Section 8230 of this Code.*

*(b) Providers who receive transition funding pursuant to this Section may only use the funds for the purposes specified in subdivision (c) of section 5.5 of Article IX of the California Constitution.*

*(c) After July 1, 2011, districts may use Improving Classroom Education Funds to contract only with providers with whom they have contracted during the transition period, provided, however, that no later than July 1, 2011, all employees who provide instructional services to children in the programs funded by the Act shall become employees of the contracting school district as specified in Section 5.6 of Article IX of the California Constitution. An employee organization that has been recognized as the exclusive representative of such employees who become employees of a contracting school district or county office of education shall continue to be recognized as the exclusive representative of the same employees, except that certificated employees who provide instructional services shall become part of an appropriate existing bargaining unit of a contracting school district or county office of education.*

*Sec. 14115. After July 1, 2011, the Controller shall draw warrants on the portion of the Improving Classroom Education Fund dedicated to universal preschool and distribute them twice yearly to school districts based on their preschool enrollment, provided, however, that school districts and providers who meet the requirements of the Improving Classroom Education Act and who receive state or federal funds for children who are eligible for state preschool or Headstart programs shall be entitled to the difference between the per-pupil amounts apportioned pursuant to Section 5.6 of Article IX and the state or federal per-pupil amount received for the children who are eligible for the state preschool program or for Headstart.*

*Sec. 14116. Notwithstanding any other provisions of law, voluntary universal preschool programs established pursuant to Section 5.6 of Article IX of the California Constitution shall not be considered state preschool or general child care and development programs within the meaning of Chapter 2 of Part 6 of this Code, commencing with Section 8200.*

### ARTICLE 3. FUNDING FOR K-12 EDUCATION

*Sec. 14120. After July 1, 2005, the Controller shall distribute the revenues in the portion of the Improving Classroom Education Fund dedicated to K-12 education at least twice during the fiscal year to school districts based on their enrollment. The funds shall be spent only for the purposes set forth in Section 5.5 of Article IX of the California Constitution.*

**Section 12. Government Code Section 13340 is amended to read:**

(a) Except as provided in subdivision (b), on and after July 1, 2004, no moneys in any fund that, by any statute other than a Budget Act, are continuously appropriated without regard to fiscal years, may be encumbered unless the Legislature, by statute, specifies that the moneys in the fund are appropriated for encumbrance.

(b) Subdivision (a) does not apply to any of the following:

(1) The scheduled disbursement of any local sales and use tax proceeds to any entity of local government pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code.

(2) The scheduled disbursement of any transactions and use tax proceeds to an entity of local government pursuant to Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code.

(3) The scheduled disbursement of any funds by a state or local agency or department that issues bonds and administers related programs for which funds are continuously appropriated as of June 30, 2004.

(4) Moneys that are deposited in proprietary or fiduciary funds of the California State University and that are continuously appropriated without regard to fiscal years.

(5) The scheduled disbursement of any motor vehicle license fee revenues, including the General Fund appropriations made pursuant to Sections 11000 and 11000.1 of the Revenue and Taxation Code, to an entity of local government pursuant to the Vehicle License Fee Law (Part 5 (commencing with Section 10701) of Division 2 of the Revenue and Taxation Code).

(6) *Moneys that are deposited in the Improving Classroom Education Fund.*

**Section 13. Section 94 is hereby added to the Revenue and Taxation Code, to read as follows:**

*Sec. 94. For purposes of Section 1 of Article XIII A and Section 8.6 of Article XVI of the California Constitution, the following definitions shall apply:*

(a) "Dwelling unit" includes, among other real properties, a unit or lot within a cooperative housing corporation or stock cooperative, a community apartment project, a condominium project, a planned unit development, or a mobilehome or manufactured home and

any land owned by the homeowner and on which the mobilehome or manufactured home is located.

(b) "Commercial residential rental property" means that portion of a building that contains one or more dwelling units that are not owner-occupied.

(c) "Real property used for commercial agricultural production" means land zoned and used for producing commercial agricultural commodities and any improvements thereon, exclusive of that portion of the full value of non-residential structures situated on the land that exceeds \$500,000.

**Section 14. Section 94.1 is hereby added to the Revenue and Taxation Code, to read as follows:**

*Sec. 94.1. The rate of additional ad valorem property tax imposed on commercial residential rental property by subdivision (b) of Section 1 of Article XIII A of the California Constitution shall be determined as follows:*

(a) *For commercial residential rental property with an assessed valuation between \$700,000 and \$799,999, the rate of tax shall be .10 percent higher than the ad valorem tax on residential real property;*

(b) *For commercial residential rental property with an assessed valuation between \$800,000 and \$899,999, the rate of tax shall be .25 percent higher than the ad valorem tax on residential real property;*

(c) *For commercial residential rental property with an assessed valuation between \$900,000 and \$999,999, the rate of tax shall be .40 percent higher than the ad valorem tax on residential real property; and*

(d) *For commercial residential rental property with an assessed valuation of \$1,000,000 or more, the rate of tax shall be .55 percent higher than the ad valorem tax on residential real property.*

**Section 15. Section 100.7 is hereby added to the Revenue and Taxation Code, to read as follows:**

*Sec. 100.7. (a) For the 2005-06 fiscal year and each fiscal year thereafter, the Controller shall allocate among the counties those moneys set aside for aid to businesses pursuant to paragraph (1) of subdivision (b) of Section 8.6 of Article XVI of the California Constitution. The Controller shall allocate those moneys among the counties in shares that, as determined pursuant to subdivision (b), correspond to each county's percentage share of the total statewide property tax revenue loss resulting in that fiscal year from the tax exemption established by Section 210. Each county shall apportion its allocation under this subdivision among the jurisdictions in that county in the same manner as revenues derived from locally assessed property are required by law to be allocated among those same jurisdictions.*



*(b) For the 2005-06 fiscal year and each fiscal year thereafter, each county's allocation under subdivision (a) shall be calculated as follows:*

*(1) Each county shall report to the Controller the total taxable value of personal property in that county for the property tax lien date immediately preceding the subject fiscal year.*

*(2) The Controller shall determine the combined total of all of the amounts reported pursuant to paragraph (1).*

*(3) The Controller shall divide each amount reported under paragraph (1) by the combined total determined under paragraph (2).*

*(4) The Controller shall multiply each ratio determined under paragraph (3) by the total amount of moneys set aside for the subject fiscal year for aid to business under paragraph (1) of subdivision (b) of Section 8.6 of Article XVI of the California Constitution.*

**Section 16. Section 210 is hereby added to the Revenue and Taxation Code, to read as follows:**

*Sec. 210. (a) For purposes of providing aid to business as described in paragraph (1) of subdivision (b) of Section 8.6 of Article XVI of the California Constitution, for the January 1, 2005 lien date and each lien date thereafter, there is exempted from tax that amount of the full value of personal property assessable to each taxpayer that does not exceed the amount most recently estimated under subdivision (b) by the Small Business Tax Relief Funding Authority.*

*(b)(1) The Small Business Tax Relief Funding Authority is hereby established to consist of the Controller, the State Treasurer, and the Director of Finance, or the designee of any of them.*

*(2) For the set of three property tax lien dates commencing with January 1, 2005, and for each set of three property tax lien dates thereafter, the Small Business Tax Relief Funding Authority shall estimate that single amount that, when applied under subdivision (a) to each of the three subject lien dates, will result in a statewide personal property tax revenue loss equal to 10 percent of the average annual amount of revenue to be derived over the three lien dates from the additional ad valorem property tax rate imposed under subdivision (b) of Section 1 of Article XIII A of the California Constitution.*

**Section 17. Amendment.**

The statutory provisions of this measure may be amended to further the purposes of the initiative by a statute other than the annual budget act. Any such amendment must be passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring, and signed by the Governor.

**Section 18. Severability.**

The provisions of this measure are severable. If any provision of this measure or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

**Section 19. Conflicting Initiatives.**

In the event that this measure and another initiative measure or measures relating to taxation of real or personal property or funding for education or preschool shall appear on the same statewide election ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other measure shall be null and void.

**Section 20. Effective Date.**

This measure shall go into effect on January 1, 2005.