The California State Auditor released the following report today:

The University of California and the California State University
Several Campuses Recently Acquired Property, but Those Acquisitions Have Not Significantly Reduced Property Tax Revenue for Local Governments

BACKGROUND
Property tax revenue is a vital source of income for local governments. Each county collects these taxes and allocates the revenue to various local entities within the county. Although real property is generally subject to property taxation, some types of property are exempt from being taxed, such as state-owned property and property used exclusively for state colleges and universities. When the California State University (CSU) system’s 23 campuses and the University of California (UC) system’s 10 campuses acquire taxable property or leases a property exclusively for educational purposes, that property no longer produces property tax revenue for the local governments. Nonetheless, both UC and CSU campuses receive some services from their local governments, such as fire and emergency medical services.

KEY FINDINGS
During our audit concerning property tax revenue losses to the local governments as a result of expansions of the CSU and UC campuses, we noted the following:

• Although five of the UC and CSU campuses that we reviewed made 17 property acquisitions over a five-year period at a value of $73.5 million, the estimated loss of property tax revenue to local governments where the campuses that acquired the properties reside have been insignificant—well under 1 percent of the local governments’ total property tax revenue.
  ✓ All three of the UC campuses we reviewed made at least one acquisition and, in total, acquired seven properties at a combined value of $45.8 million while only two of the five CSU campuses acquired 10 properties at a total value of $27.7 million.
  ✓ Eleven of the 17 properties acquired did not affect property taxes during the five-year period because either the property acquired or the previous owner was already tax-exempt.
  ✓ Six of the acquisitions had very small impacts on property tax revenue for the individual local governments where the campuses are located because the law limits property tax rates to 1 percent of assessed value and the revenue generated is allocated to multiple local governments.

• If campuses lease taxable property and use it exclusively for educational purposes, the property becomes tax-exempt. However, the UC campus with the highest number of leased properties that we reviewed—UC Berkeley—only reduced its county’s property taxes by nearly $575,000, or about .02 percent of the county’s property tax collections.

• Although not required to do so, some campuses have discussions with local governments regarding planned expansions outside of the environmental impact requirements and some campuses have entered into specific agreements with their respective local governments for fire protection and emergency medical services.

• Two local governments expressed concerns about increased costs posed by campuses’ demands on services, yet could not necessarily show any documentation to support their concerns or that they recently quantified those costs.