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**United States District Court  
Central District of California**

LOS ANGELES UNIFIED SCHOOL  
DISTRICT,

Plaintiff,

v.

JPMORGAN CHASE & CO.;  
JPMORGAN CHASE BANK, N.A.;  
CHASE MANHATTAN BANK USA,  
N.A.,

Defendants.

Case No. 2:14-cv-07369-ODW(RZx)

**ORDER GRANTING MOTION TO  
DISMISS [24]**

**I. INTRODUCTION**

This case is one of four identical actions filed by Plaintiff Los Angeles Unified School District (“LAUSD”) against large banking institutions alleging violations of the Fair Housing Act (“FHA”), 42 U.S.C. §§ 3604–05. LAUSD alleges that several years of discriminatory lending practices in violation of the FHA caused a high number of foreclosures and property value reductions, which in turn “reduce[d] the property tax revenues collected by LAUSD.” (ECF No. 1 [“Compl.”] ¶¶ 110–19.) Pending before the Court is a Motion to Dismiss filed by Defendants JPMorgan Chase & Co., JPMorgan Chase Bank, N.A., and Chase Manhattan Bank USA, N.A.

1 (collectively “JPMorgan”). (ECF No. 24 [“MTD”].) For the reasons discussed  
2 below, the Court **GRANTS** JPMorgan’s Motion to Dismiss.<sup>1</sup>

## 3 **II. FACTUAL BACKGROUND**

4 The factual allegations against JPMorgan in LAUSD’s one-count Complaint are  
5 nearly indistinguishable from the factual allegations against JPMorgan by the City of  
6 Los Angeles in two other matters before the Court. *See City of Los Angeles v.*  
7 *JPMorgan Chase & Co., et al.*, No. 14-cv-04168 (C.D. Cal. filed May 30, 2014);  
8 *California v. JPMorgan Chase & Co., et al.*, No. 14-cv-09750 (C.D. Cal. filed Dec.  
9 19, 2014).<sup>2</sup> Due to the similarity among the pleadings, the Court incorporates the  
10 factual background section from a recent order denying JPMorgan’s motion to  
11 dismiss, *see City of Los Angeles v. JPMorgan Chase & Co.*, No. 14-cv-04168, 2014  
12 WL 6453909, \*1–2 (C.D. Cal. Nov. 14, 2014), and will only briefly mention several  
13 key distinguishing facts.

14 LAUSD’s boundaries cover 720 square miles, to include the City of Los  
15 Angeles and thirty-one other municipalities. (Compl. ¶ 24.) LAUSD receives a  
16 portion of its operating revenue from local property taxes. (*Id.* ¶ 112.) According to  
17 LAUSD, JPMorgan’s discriminatory and unlawful lending practices, which targeted  
18 African-American and Latino borrowers, caused a disproportionately high number of  
19 foreclosures in historically underserved minority communities within LAUSD’s  
20 boundaries. (*Id.* ¶¶ 2–13.) The foreclosures resulted in vacant homes and depressed

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21 <sup>1</sup> After carefully considering the papers filed in support of and in opposition to the Motion, the Court  
22 deems the matter appropriate for decision without oral argument. Fed. R. Civ. P. 78; L.R. 7-15.

23 <sup>2</sup> In fact, the same factual allegations now serve as the bases for nine other lawsuits in the Central  
24 District, six of which are before this Court. *See City of Los Angeles v. Wells Fargo & Co., et al.*, No.  
25 13-cv-09007 (C.D. Cal. filed Dec. 5, 2013); *City of Los Angeles v. CitiGroup Inc., et al.*, No. 13-cv-  
26 09009 (C.D. Cal. filed Dec. 5, 2013); *City of Los Angeles v. Bank of Am. Corp., et al.*, No. 13-cv-  
27 09046 (C.D. Cal. filed Dec. 6, 2013); *Los Angeles Unified Sch. Dist. v. Bank of Am. Corp., et al.*,  
28 No. 14-cv-07364 (C.D. Cal. filed Sept. 19, 2014); *Los Angeles Unified Sch. Dist. v. CitiGroup Inc.,*  
*et al.*, No. 14-cv-07368 (C.D. Cal. filed Sept. 19, 2014); *Los Angeles Unified Sch. Dist. v. Wells*  
*Fargo & Co., et al.*, No. 14-cv-07370 (C.D. Cal. filed Sept. 19, 2014); *California v. Bank of Am.*  
*Corp., et al.*, No. 14-cv-09744 (C.D. Cal. filed Dec. 19, 2014); *California v. CitiGroup Inc., et al.*,  
No. 14-cv-09749 (C.D. Cal. filed Dec. 19, 2014); *California v. Wells Fargo & Co., et al.*, No. 14-cv-  
09751 (C.D. Cal. filed Dec. 19, 2014).

1 property values for surrounding properties, thus leading to a decrease in property tax  
2 revenue. (*Id.* ¶ 20.) LAUSD alleges that the “decreased property values of foreclosed  
3 [and surrounding] homes in turn reduce property tax revenues to the School District  
4 and constitute damages suffered by LAUSD.” (*Id.* ¶ 118.)

### 5 III. LEGAL STANDARDS

#### 6 A. Federal Rule of Civil Procedure 12(b)(1)

7 A Rule 12(b)(1) motion tests whether the court has subject-matter jurisdiction  
8 to hear the claims alleged in the complaint. *See* Fed. R. Civ. P. 12(b)(1). When a  
9 motion to dismiss attacks subject-matter jurisdiction on the face of the complaint—a  
10 “facial challenge”—the court assumes the factual allegations in the complaint are true  
11 and draws all reasonable inferences in the plaintiff’s favor. *Doe v. Holy See*, 557 F.3d  
12 1066, 1073 (9th Cir. 2009). The pleading standards set forth in *Bell Atlantic Corp. v.*  
13 *Twombly*, 550 U.S. 544 (2007), and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009), apply in  
14 equal force to facial challenges. *See Perez v. Nidek Co.*, 711 F.3d 1109, 1113 (9th  
15 Cir. 2013); *Terenkian v. Republic of Iraq*, 694 F.3d 1122, 1131 (9th Cir. 2012).

16 “By contrast, in a factual attack, the challenger disputes the truth of the  
17 allegations that, by themselves, would otherwise invoke federal jurisdiction.” *Safe Air*  
18 *for Everyone v. Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004). In a factual attack, a  
19 court need not presume the truthfulness of the allegations in the complaint and may  
20 consider extrinsic evidence. *See White v. Lee*, 227 F.3d 1214, 1242–43 (9th Cir.  
21 2000) (affirming judicial notice of matters of public record in Rule 12(b)(1) factual  
22 attack); *Augustine v. United States*, 704 F.2d 1074, 1077 (9th Cir. 1983) (holding that  
23 a district court is free to hear evidence regarding jurisdiction). But courts should  
24 refrain from resolving factual issues where “the jurisdictional issue and substantive  
25 issues are so intertwined that the question of jurisdiction is dependent on resolution of  
26 the factual issues going to the merits.” *Augustine*, 704 F.2d at 1077.

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1 **B. Article III Standing**

2 “[T]hose who seek to invoke the jurisdiction of the federal courts must satisfy  
3 the threshold requirement imposed by Article III of the Constitution by alleging an  
4 actual case or controversy.” *City of Los Angeles v. Lyons*, 461 U.S. 95, 101 (1983).  
5 “[T]o satisfy Article III’s standing requirements, a plaintiff must show (1) it has  
6 suffered an ‘injury in fact’ that is (a) concrete and particularized and (b) actual or  
7 imminent, not conjectural or hypothetical; (2) the injury is fairly traceable to the  
8 challenged action of the defendant; and (3) it is likely, as opposed to merely  
9 speculative, that the injury will be redressed by a favorable decision.” *Friends of the*  
10 *Earth, Inc. v. Laidlaw Env’tl. Servs. (TOC), Inc.*, 528 U.S. 167, 180–81 (2000). Each  
11 of these elements “must be supported in the same way as any other matter on which  
12 the plaintiff bears the burden of proof, *i.e.*, with the manner and degree of evidence  
13 required at the successive stages of litigation.” *Lujan v. Defenders of Wildlife*, 504  
14 U.S. 555, 561 (1992).

15 **IV. DISCUSSION**

16 JPMorgan’s Motion raises a Rule 12(b)(1) factual challenge to this Court’s  
17 subject-matter jurisdiction. Specifically, JPMorgan argues that LAUSD did not suffer  
18 any injury because LAUSD’s funding levels never decreased as school district  
19 funding in California is regulated by the State and insulated from decreases in local  
20 property tax. (MTD at 4–8.) The Court first notes that it is not writing on a blank  
21 slate. Judge Percy Anderson recently dismissed LAUSD’s *identical* lawsuit against  
22 Bank of America on grounds that LAUSD did not suffer an injury in fact. *See Los*  
23 *Angeles Unified Sch. Dist. v. Bank of Am. Corp., et al.* (“LAUSD I”), No. 14-cv-  
24 07364 (C.D. Cal. January 7, 2015) (order granting motion to dismiss). Judge  
25 Anderson’s thorough and well-reasoned opinion serves as an excellent guidepost,  
26 however LAUSD’s legal theory of injury in this case is slightly different. The Court  
27 will discuss both theories.

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1 **A. Injury Based on the Overall Decrease of Funds**

2 LAUSD’s Complaint, while quite long and detailed, does not expound on its  
3 alleged injury. LAUSD only alleges that it “suffered financial injuries as a direct  
4 result” of JPMorgan’s discriminatory lending practices, and it therefore “seeks  
5 damages for its reduced property tax revenues.” (Compl. ¶¶ 110, 112.) Based on  
6 these allegations, one would reasonably believe that LAUSD is alleging that it lost  
7 money or received fewer funds as a result of JPMorgan’s conduct. That was  
8 JPMorgan’s understanding when it filed its Motion to Dismiss. In its Motion,  
9 JPMorgan argues that “[b]ecause a reduction in property tax revenue does not result in  
10 a reduction in school funding, [LAUSD] has no injury.” (MTD at 4.)

11 JPMorgan’s argument is accurate, as confirmed by Judge Anderson’s recent  
12 opinion. Judge Anderson correctly explains that “although property taxes are a source  
13 of LAUSD’s revenues, property taxes do not determine LAUSD’s level of funding.”  
14 *LAUSD I*, at \*4 (citing *Belanger v. Madera Unified Sch. Dist.*, 963 F.3d 248, 251–52  
15 (9th Cir. 1992)). Judge Anderson concluded that even accepting the allegations of  
16 discriminatory lending practices and a decrease in overall property tax revenue within  
17 LAUSD’s boundaries, “any drop in the property tax revenues did not cause a  
18 reduction in LAUSD’s funding levels.” *Id.* A wealth of authority supports this  
19 conclusion. *See* Cal. Educ. Code §§ 42238–38.24; *Belanger*, 963 F.3d at 252  
20 (“because the state has complete control over the amount of property tax revenue that  
21 the district receives, and because this revenue is simply credited toward the revenue  
22 limit payment from the state fund, the property tax revenue is no more local than state  
23 income taxes generated from the same area”); *Serrano v. Priest*, 557 P.2d 929, 938–39  
24 (Cal. 1976); *Cal. Teacher’s Ass’n v. Hayes*, 7 Cal. Rptr. 2d 699, 706 (Cal. Ct. App.  
25 1992).

26 To the extent that LAUSD’s alleged injury is grounded in losing overall  
27 revenue as a result of JPMorgan’s lending practices, the Court follows Judge  
28 Anderson’s lead—there is no injury because the State ensures that funding levels

1 remain stable. However, LAUSD’s Opposition Brief clarifies its legal theory of  
2 injury, and thus the disposition of the pending Motion is slightly different than  
3 *LAUSD I*.

4 **B. “Clarified” Theory of Injury Based on Tracing**

5 In its Opposition Brief, LAUSD explains the following: “[JPMorgan’s]  
6 causation argument assumes that LAUSD pleads injury based on its overall school  
7 funding. But what LAUSD actually alleges is reduction in its property tax revenues.”  
8 (ECF No. 29 [“Opp. Br.”] at 1.) LAUSD contends that all property tax revenue goes  
9 directly to the county auditor, who then distributes those funds locally pursuant to  
10 state law. (*Id.* at 7.) According to LAUSD, because “property taxes from a given  
11 county get allocated to local jurisdictions within that county,” any decrease in local  
12 property tax directly causes a “reduction in [LAUSD’s] property tax revenues.” (*Id.* at  
13 5–6.) LAUSD’s clarified theory of injury relies on basic tracing—it follows identified  
14 funds from the tax-paying homeowners in Los Angeles County, to the county auditor,  
15 and then to LAUSD. LAUSD alleges that it received a reduced amount of specific  
16 funds generated by property taxes in Los Angeles County

17 Factually, LAUSD is correct—the literal reduction of property taxes in Los  
18 Angeles County would reduce the amount of funds in LAUSD’s operating budget  
19 identified as originating from Los Angeles County property taxes. The question then  
20 becomes whether reducing one source of funds without regard to the bottom-line is a  
21 recognized injury in fact under Article III.

22 The Court will first determine whether LAUSD suffered an economic or  
23 physical injury. *See Ass’n of Data Processing Serv. Orgs., Inc. v. Camp*, 397 U.S.  
24 150, 154–55 (1970) (finding that physical or economic injuries are generally sufficient  
25 to maintain injury in fact). LAUSD has no legal interest in any of its sources of  
26 funding. “School moneys belong to the state, and the apportionment of funds to a  
27 school district does *not* give that district a *proprietary right* therein.” *Cal. Teacher’s*  
28 *Ass’n*, 7 Cal. Rptr. 2d at 706 (emphasis added). LAUSD cannot manufacture a legal

1 right to funds simply because the homes within its boundaries are the source—the  
2 State owns *all* funds. Without a legal right to any of the funding sources, regardless  
3 of origin, LAUSD cannot possibly suffer an economic injury if the property tax  
4 revenue from Los Angeles County is reduced. Furthermore, the manner in which  
5 LAUSD actually receives its funds from the State indicates that LAUSD is not aware  
6 of the funding sources when distributed. Under California law, “state and local  
7 revenue is commingled in a single fund under state control,” with the State having  
8 “complete control over the amount of property tax revenue that the district receives.”  
9 *Belanger*, 963 F.2d at 252. The commingled nature of the funds means that LAUSD  
10 must hire an accountant just to determine whether it received fewer funds from local  
11 property tax revenue. The mere fact that the actual property tax revenue from Los  
12 Angeles County reaches the LAUSD bank account is irrelevant—local property taxes  
13 immediately lose their identity as “local” as soon as the funds are commingled and the  
14 State takes ownership. LAUSD has no legal right to any particular funding source and  
15 the State has complete control over revenue distribution. Therefore, LAUSD did not  
16 suffer an economic injury when it received fewer funds traced from Los Angeles  
17 County.

18 While an economic injury is not the only way to satisfy Article III standing, an  
19 abstract injury is not enough. *Lyons*, 461 U.S. at 101. “[C]laims of injury that are  
20 purely abstract, even if they might be understood to lead to ‘the psychological  
21 consequence presumably produced by observation of conduct with which one  
22 disagrees,’ do not provide the kind of particular, direct, and concrete injury that is  
23 necessary to confer standing.” *ASARCO, Inc. v. Kadish*, 490 U.S. 605, 616 (1989)  
24 (internal citation omitted). If LAUSD does not seek damages for an economic injury,  
25 it is therefore seeking damages for an intangible injury resulting from the knowledge  
26 that the source of funding changed. Assuming the factual allegations in the Complaint  
27 are true, JPMorgan’s actions did alter the actual percentages of LAUSD’s funding  
28 sources, and it is clear that LAUSD disagrees with JPMorgan’s lending practices.

1 However, the mere knowledge of a change in funding is not a “particular, direct, and  
2 concrete injury” necessary to establish Article III standing. *See id.* LAUSD’s  
3 Complaint and Opposition Brief fail to explain how this knowledge creates an injury,  
4 and the Court finds no precedent to support this theory.

5 The Court finds that LAUSD suffered no injury in fact, whether economic or  
6 otherwise, when a dollar originating from a Los Angeles County taxpayer is replaced  
7 by a dollar from somewhere else. LAUSD has no proprietary right to any of the  
8 dollars as the State has complete control over the entire process. LAUSD carries the  
9 burden of establishing all three elements of standing, and it failed to carry this burden  
10 in proving injury in fact. *See Lujan*, 504 U.S. at 561.

### 11 **C. Collateral Source Rule**

12 In response to JPMorgan’s claims that LAUSD did not suffer any injury,  
13 LAUSD argues that “collateral source funds received from the State cannot be used to  
14 offset decreased property tax damages caused by [JPMorgan’s] discriminatory  
15 lending.” (Opp. Br. at 6.) According to the Ninth Circuit, “[u]nder the collateral  
16 source rule, benefits received by the plaintiff from a source collateral to the defendant  
17 may not be used to reduce that defendant’s liability for damages” because “the  
18 defendant should not get a windfall for collateral benefits received by the plaintiff.”  
19 *McLean v. Runyon*, 222 F.3d 1150, 1155–56 (9th Cir. 2000).

20 As an initial matter, the Court notes that LAUSD’s collateral source argument is  
21 offered in response to JPMorgan’s claims that the *overall* funding level was not  
22 impacted by its lending practices. LAUSD’s Opposition Brief clarified that its theory  
23 of injury is not based on *overall* funding levels. (*See* Opp. Br. at 1.) LAUSD’s  
24 collateral source arguments, therefore, are only relevant to a legal theory which  
25 LAUSD previously abandoned. The collateral source argument is inapposite to a  
26 theory of injury based on changes in the sources of funding.

27 Regardless, the “collateral source rule is inapplicable where a plaintiff cannot  
28 plead that he or she has suffered the damages sought.” *LAUSD I*, at \*5 (quoting



1 *Gillespie v. Travelscape LLC*, No. C13-0622, 2014 WL 4243706, at \*2 (W.D. Wash.  
2 Aug. 26, 2014)). As Judge Anderson accurately explains, “California’s public  
3 education funding system is not a ‘collateral source’ used to make LAUSD whole for  
4 any decrease in local property taxes, whether the decrease is caused by . . .  
5 discriminatory lending practices or anything else.” *Id.* (quoting *McLean*, 222 F.3d at  
6 1156). The Court finds no reason to depart from Judge Anderson’s conclusions.

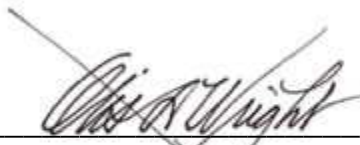
7 In support of its collateral source argument, LAUSD contends that JPMorgan  
8 “should not receive a windfall because the state ensures equal funding for students.”  
9 (Opp. Br. at 10.) Assuming that JPMorgan did violate the FHA, the Court agrees that  
10 JPMorgan should not receive a windfall—it should fully compensate the injured  
11 parties regardless of other sources of compensation. LAUSD, however, is not one of  
12 those parties. LAUSD did not suffer damages and therefore the Court rejects the  
13 collateral source argument.

#### 14 V. CONCLUSION

15 For the reasons discussed above, the Court **GRANTS** JPMorgan’s Motion to  
16 Dismiss. (ECF No. 24.) LAUSD provided no indication that amending the  
17 Complaint is possible, and without an injury the Court concludes that granting  
18 LAUSD leave to amend would be futile. *See Reddy v. Litton Indus., Inc.*, 912 F.2d  
19 291, 296 (9th Cir. 1990). This action is **DISMISSED WITH PREJUDICE**.

20 **IT IS SO ORDERED.**

21  
22 February 3, 2015

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25 \_\_\_\_\_  
26 **OTIS D. WRIGHT, II**  
27 **UNITED STATES DISTRICT JUDGE**  
28