IN DEPTH

SUPPLEMENTAL ANALYSIS OF STATE PROPOSITIONS

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GENERAL ELECTION

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LEAGUE OF WOMEN VOTERS® OF CALIFORNIA EDUCATION FUND

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Proposition 1 – Bonds for Affordable Housing and Veteran Home Loans

Legislative Statute

The Question

Should the state authorize **$10 billion in general obligation bonds** for affordable housing construction and assistance programs, and **$1.25 billion in tax-exempt general obligation bonds** for home purchase assistance for California veterans?

The Situation

California faces a significant shortage of affordable housing, with home prices and rents among the highest in the nation. This shortage affects many groups, including families with low incomes, students, veterans, farmworkers, and people experiencing homelessness.

Most housing in California is built with private funding. However, state housing programs help finance affordable housing projects that serve lower-income households.

Over many decades, California has created a variety of programs to support affordable housing construction, preserve existing affordable housing, and help lower-income households become homeowners. These programs provide financing for multifamily housing, farmworker housing, infrastructure, and homeownership assistance.

The state also operates the CalVet Home Loan Program, established in 1921 by the Veterans Farm and Home Purchase Act to help returning World War I veterans purchase homes and farms. Since its creation, voters have repeatedly approved bond funding to support the program, most recently through Proposition 1 (2018), which provided $1 billion for veteran home loans.

In 2018, voters approved Proposition 1 ($4 billion) and Proposition 2 ($2 billion) to fund a variety of housing programs. Much of that funding has now been committed or spent, while construction costs and housing prices have continued to rise. Proposition 1 (2026) would authorize $11.25 billion in additional bond funding to continue and expand existing housing programs, including affordable housing development, homeownership assistance, and veteran home loans.

Proposed Proposition

If approved, Proposition 1 would authorize the issuance of **$11.25 billion** in new general obligation bonds, including $10 billion for housing programs and $1.25 billion for the CalVet Home Loan Program. The veterans' portion is expected to be repaid through veterans' loan payments rather than direct state costs.

Below is a table that breaks down how the 2026 measure funding will be distributed compared with that passed in 2018.

Housing Resource Type	2018 - Prop 1 GO Bonds *	2026 - Prop 1 GO Bonds *	2026 Prop 1 Notes
Multifamily Housing (MHP)	$1.5 Billion	$5.1 Billion	Min of 10% of rental units affordable to households with extremely low-income
Preservation & Rehabilitation (PRP)	0	$750 Million	Prevents market conversion of existing affordable housing
"Self Help" Homeownership Assistance	$450 Million	$600 Million	Sweat-equity home construction loans for low-income households
Homeownership Assistance	0	$500 Million	Supports existing CalHFA programs
Infill Infrastructure Grants	$300 Million	$500 Million	Infrastructure that supports high-density affordable and mixed-income housing
Transit Oriented Development	$150 Million		Affordable housing developments near transit hubs
Farmworker Housing (Joe Serna)	$300 Million	$450 Million	Address housing needs for those employed in the agricultural industry.
Student Housing (UC and CSU)	0	$350 Million	First-of-its-kind inclusion in a general housing bond
Anti-Displacement Acquisition (CAPP)	0	$200 Million	Purchase existing properties to create affordable housing, prevent displacement
Tribal Housing Grants	0	$200 Million	First major distinct set-aside for Tribal Housing
Local Affordable Housing Trusts	$300 Million	$200 Million	Encourage local innovative, cost-saving approaches to creating or preserving affordable housing
Youth Supportive Housing	0	$150 Million	Statutory requirement to support current or former foster youth, homeless minors or youth, or youth at risk of homelessness
Homeless/Supportive Housing	$2.0 Billion [1]	$1.0 Billion	[1] Funding from 2018 Prop 2 Mental Health Services Act - *Revenue Bonds* via 1% tax on income >$1M
Veteran Home Loans (CalVet Loans)	$1.0 Billion	$1.25 Billion [2]	[2] 2026 Prop 1 GO bonds; however, bonds are repaid through veterans' mortgage payments
TOTAL	**$6.0 Billion**	**$11.25 Billion**	

Initiator: The California State Legislature (SB 417).

- **State Senate**: Passed **29 to 2** (with 9 members not voting).
- **State Assembly**: Passed **61 to 7** (with 11 members not voting)

Related Legislation

California's 2026 Housing Strategy: Funding and Reform

Proposition 1 - The Veterans and Affordable Housing Bond Act of 2026
Proposition 37 - The California Middle-Class Homeownership and Family Home Construction Act of 2026
Proposition 45 - The Building an Affordable California Act

The November 2026 ballot presents voters with a multi-layered approach to the state's housing shortage. While they share the goal of increasing housing availability, they function as different "tools" in the toolkit: Props 1 and 37 provide financing for different income levels while Prop 45 seeks to reform the regulatory process to ensure those projects are built faster.

1. The Funding Mechanisms: Prop 1 & Prop 37

These two bond measures are complementary, as they target different populations, provide for different housing types, and use different financial structures:

Target Populations: Prop 1 focuses on providing a mix of subsidized rental housing and homeownership assistance for families with low incomes, farm workers, students, veterans, and people experiencing homelessness, to name a few. Prop 37 assists moderate-income households (up to 200% of Area Median Income) who earn too much to qualify for traditional assistance programs yet are still priced out of homeownership.

Project Scope: Prop 1 funds both construction of new housing (rental and permanent) and the preservation and rehabilitation of existing affordable housing. Prop 37 is strictly limited to newly constructed homes to incentivize an increase in total housing supply.

Financial Impact: Prop 1 uses General Obligation bonds, which are repaid by the state and its taxpayers via the General Fund (though the veterans' portion is intended to be repaid through their mortgage payments). Prop 37 uses Revenue bonds, which are intended to be self-sustaining and repaid solely by the participating homeowners, carrying no direct cost to the state budget.

2. Removing The Regulatory "Roadblock": Prop 45

While Props 1 and 37 provide the "fuel" (funding), Prop 45 aims to "clear the road" by addressing the environmental, permitting, and litigation delays that supporters claim make housing too expensive to build. Prop 45 establishes strict, mandatory time limits for environmental reviews (CEQA) and permit approvals (PSA) for "essential projects," which explicitly includes the housing types funded by Props 1 and 37. Prop 45 also requires courts to resolve legal challenges to essential projects within mandatory time limits to prevent years of construction delays.

Voter Perspective

While these measures could appear complementary (in the interest of expanding access to more affordable housing in California), critics express concern that placing several complex housing initiatives on a single ballot may cause voter confusion or dilute support for individual measures.

Fiscal Analysis

Proposition 1 authorizes the issuance of **$1.25 billion** in tax-exempt general obligation (GO) bonds for the Veterans' Farm and Home Building Fund of 1943, in which veterans' mortgage payments repay bondholders, resulting in zero cost to the state budget and functioning similarly to revenue bonds. If the money in the veterans' fund is insufficient to cover debt service, the state's General Fund must pay the balance.

Proposition 1 also authorizes the issuance of **$10 billion** in general obligation (GO) bonds, a type of long-term borrowing in which the state pledges its "full faith and credit" to repay them.

- **Repayment Method:** The general obligation bonds, including both principal and interest, are repaid from the state's **General Fund**. The LAO estimates that these annual costs would equal roughly 0.25% of the state General Fund budget.
- **Estimated Cost:** While specific annual costs for this $10 billion bond are not finalized in the current sources, similar $10 billion bonds are estimated to cost approximately **$500-600 million annually** for about 25 years; the total cost for similar $10b bond measures has been estimated at $17-18 billion.

Supporters Say

- The measure could help fund up to 40,000 multifamily rental units and assist approximately 40,000 households with homeownership opportunities.
- California's housing shortage is a crisis that requires a massive, coordinated investment to prevent more people from falling into homelessness.
- Supporters argue the measure will help veterans, seniors, essential workers, people with disabilities, and families struggling with California's housing costs.
- Investing in supportive housing and youth housing helps break the cycle of homelessness for vulnerable populations.
- Bonds allow the state to build essential infrastructure now and spread the cost over several decades.

Opponents Say

As of August 2026, no official ballot argument against Proposition 1 was submitted. The following concerns have been expressed in public commentary and policy discussions:

- Bonds are an expensive way to fund projects because the interest payments significantly increase the total cost to taxpayers.
- Critics argue that government-funded housing in California is incredibly expensive to build, sometimes costing over $1 million per unit.
- Repaying billions in debt service from the General Fund reduces budget flexibility for other priorities, such as education and public safety, in future years.

For More Information

Supporters:

- Yes on Prop 1 - yesonprop1ca.com
- Anni Chung, President, Self-Help for the Elderly
- Jeffery Freitas, President, California Federation of Teachers
- John H. Ing, Chief Financial Officer, US Vets

Opponents:

- No official opposition campaign was identified in the Official Voter Information Guide.

Spending in Support/Opposition

CalAccess - Prop 1:
Cal Access for Prop 1 Campaign Contributions

In Support as of 9/10/26 - Total $5.9M. Top 6 Contributors:

Building a Better Calif	$1,000,000
Western States Regional Council of Carpenters Issues Committee	1,000,000
Californians for Affordable Homes, Yes on Prop 1, Sponsored by NPH Action Fund	700,000
Housing Trust Silicon Valley	400,000
Eden Housing Management, Inc.	350,000
Midpen Housing Corporation	350,000

Choosing Yes or No

A "YES" vote means: You support the state borrowing **$11.25 billion** by issuing general obligation bonds to fund a variety of affordable housing programs, including **$1.25 billion** in GO bonds for home purchase assistance for California veterans. PER THE VOTER INFORMATION GUIDE: The state could borrow $11.25 billion to support veterans and affordable housing.

A "NO" vote means: You oppose this bond measure; the state would not issue new bonds for these affordable housing programs, and existing funding sources would continue to operate with their current remaining balances. PER THE VOTER INFORMATION GUIDE: The state could not borrow $11.25 billion to support veterans and affordable housing.

Sources

- *Prop 1 Full Text*
- *LAO Brief on Affordable Housing Funding*
- *Calif Sec of State Voter Info Guide as of 7/21/26*
- *Ballotpedia Prop 1*
- *California Legislative Information*
- *Digital Democracy | CalMatters*
- *Public Policy Institute of California*
- *Institute of Governmental Studies*
- *California - Ballotpedia*
- *California Fair Political Practices Commission*
- *Calif Secretary of State Initiatives*

Proposition 2 – Increases State's "Rainy Day" Fund

Legislative Constitutional Amendment

The Question

Should the state increase the Budget Stabilization Account (BSA) cap from 10% to 20% of General Fund tax revenue and exclude deposits into the BSA from the state appropriation limit set by the Gann Act?

The Situation

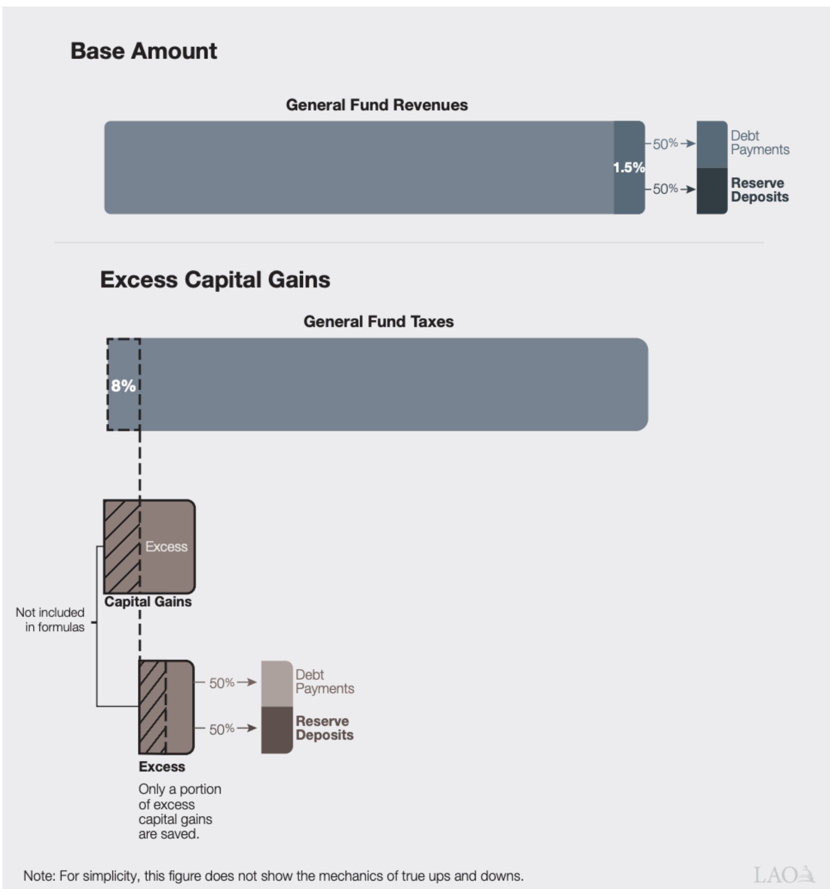
Note: ACA 20 is the bill that will be voted on as Proposition 2 in 2026. However, it is confusing because much of what the 2026 Proposition 2 would do is change some of the fiscal policies put into place by passage of the 2014 Proposition 2. Thus for most of this discussion, I will refer to this year's Proposition 2 as ACA 20.

The General Fund is the account the state uses to pay for most public services like education and health care. Most of the money in the General Fund comes from income, sales, and corporate taxes. This coming year, the state plans to spend about $250 billion from the General Fund. Because it is so dependent on taxes, revenue in the General Fund goes up and down a lot depending on how the economy and stock market are doing. The state is constitutionally prohibited from spending more money than it has. It is also limited in how much it can spend, even when revenues are high. This is due to the "state appropriations limit" which was put into effect by the Gann Act in 1979 (see below).

California has several budget reserves that help to protect services when the state faces a budget deficit. The state's largest reserve is the Budget Stabilization Account (BSA), a "rainy day" fund that voters created by approving Prop. 58 in 2004. In 2014, voters approved Proposition 2 (1) which established a set of formulas that determine how much the state must set aside each year in the BSA as well as how much must be used for debt payments. The proposition permits the legislature to suspend or reduce deposits and/or withdraw funds from the BSA when the governor declares a budget emergency. The basic principle behind the 2014 Proposition is that when the economy is strong, state revenues rise and more funds can be saved and used to pay off debts. When the economy is weak, the legislature can authorize transfer of funds out of the BSA if the Governor declares a budget emergency.

The 2014 proposition specified the state must set aside **1.5% of the estimated amount of General Fund Revenues for each fiscal year.** For 15 years – from 2015 to 2030 – half of these funds would be deposited into the BSA, and the other half would be used to reduce certain state liabilities. After 2030, the funds could just be deposited into BSA.

In addition, when tax revenues are high, the state must set aside any amount over 8% of capital gains taxes when the capital gains tax revenues exceed 8% of general fund revenues. The share of this "excess" capital gains revenue that is not owed to K-12 schools and community colleges under the state's Prop. 98 funding guarantee must be used for BSA deposits and debt repayments, following the same requirements as the mandatory 1.5% deposit. This is illustrated in the following figure (2):



Since 2014 capital gains tax revenues have exceeded the 8% threshold in most years, but the numbers fluctuated significantly (3) as shown in the following table:

Capital Gains Proposition 2 Revenue
As a Percent of General Fund Tax Revenues
(Dollars in Billions)

Calendar Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e/	2024e/	2025e/	2026e/
Capital Gains Realizations	$55	$52	$100	$80	$115	$120	$113	$144	$154	$145	$203	$349	$156	$143	$171	$197	$202
Prop 2 Revenue from Capital Gains	$4.7	$4.2	$10.4	$7.6	$11.3	$11.8	$11.5	$14.1	$15.4	$14.4	$20.6	$36.0	$15.4	$14.0	$17.0	$19.6	$20.1
Fiscal Year	**09-10**	**10-11**	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**	**16-17**	**17-18**	**18-19**	**19-20**	**20-21**	**21-22**	**22-23**	**23-24e/**	**24-25e/**	**25-26e/**
Prop 2 Revenues from Capital Gains	$3.0	$4.5	$6.0	$9.6	$8.7	$11.4	$11.7	$12.3	$14.5	$15.1	$16.3	$25.2	$29.8	$15.0	$14.9	$17.7	$19.7
Total General Fund Revenues1/	$87	$92	$85	$98	$103	$114	$119	$122	$135	$144	$145	$187	$224	$179	$192	$209	$218
Capital Gains Percentage	3.4%	4.9%	7.1%	9.8%	8.5%	10.1%	9.9%	10.0%	10.7%	10.4%	11.2%	13.5%	13.3%	8.4%	7.7%	8.5%	9.1%

e/Estimated
1/Excluding transfers
Source: California Department of Finance, 2025-26 Governor's Budget Forecast.

Perhaps most importantly, the 2014 proposition set a cap on the BSA as **10% of the total General Fund tax revenues** for that fiscal year. In years where the contributions would raise the BSA above that limit, the state can use the excess funds for infrastructure projects or deferred maintenance, and return money to taxpayers as a rebate. Prior to 2026, the BSA balance reached the cap twice — in 2022-23 and 2023-24 — but then dropped below the cap as state leaders withdrew funds in subsequent years to address budget shortfalls (4). The 2026-27projected balance in the General Fund is about 250 billion dollars, and that in the BSA is 15.1 billion dollars.

Finally, deposits into the BSA count towards the state appropriations limit under the requirements of the Gann Act (Prop 4), but withdrawals do not (see below).

Proposed Proposition

ACA 20 (2026 Proposition 2) **will raise the cap on the BSA from 10 % to 20%** of general fund tax revenues, thus potentially building a larger “rainy day” fund and devoting more money to paying off long-term debt before expanding government spending. It effectively increases the amount of money the state must save during years of unusually high tax revenues and expands the types of debt that can be paid down. The measure extends the mandatory debt payment requirement from 2030 to 2040 and allows these funds to be used for additional obligations, including:

- Proposition 98 education funding "settle-up" obligations
- Budgetary borrowing
- California's federal Unemployment Insurance loan

- Existing pension and retiree health liabilities

The measure also changes how reserve deposits and withdrawals are treated under California's constitutional spending limit, making it easier to build reserves without those deposits counting against the state's appropriations limit set by the Gann Act as they do currently under the 2014 proposition. Withdrawn funds, however, will count towards the Gann limit.

ACA 20 would also effectively increase the amount from excess capital gains that can be allocated. When excess capital gains exceed 10 percent of General Fund taxes, an additional 150 percent of that amount would be set aside for reserves, as well as 100% of the amount between 8% to 10%.(5)

In summary, if ACA 20 is approved,

- More money would be directed into reserves.
- More money could be used to pay down debt.
- Less money may be available for new programs during years of strong revenue growth.
- It would not raise present taxes or create new taxes

Assembly member Jesse Gabriel (D46) authored ACA 20. It was chaptered by the Secretary of State on June 25, 2026, following passage in the Legislature: Senate (29-2-9) Assembly (59-8-12)

Related Legislation

Passed in 1979 as Proposition 4, and further adjusted in 1988, the Gann Act Limit or State Appropriations Limit (SAL) capped per capita state and local government spending at 1979 levels, with allowances for inflation and changes in population (6). The Gann Limit is named after Paul Gann, a conservative, anti-tax crusader, most notably known for being a co-author on Proposition 13 alongside Howard Jarvis.

If the amount of collected taxes exceeds the Gann limit for two consecutive years, the state must redirect that excess in one of the following ways:

- Issue tax refunds
- Allocate excess revenues to schools
- Increase spending on specific items that were deemed excluded from the Gann Limit in the amendments such as:
    - Distributions to local government general funds with no required purpose for use

- An infrastructure project that costs at least $100,000: funding for a “fixed asset (including land and construction) with a useful life of 10 or more years”
- Emergency spending (the COVID emergency order, for example)
- Pay off any fees or mandates imposed by the courts or federal government
- Pay off existing debt

The Gann limit was exceeded in 2022 and the state had to issue a $9.5 billion refund to taxpayers and redirect $48 billion in surplus funds to allowed expenditures such as infrastructure. Critics of the Gann Act say it hamstrings the government in years when there are excess funds that might be needed for other more pressing budgetary issues. However, if ACA 20 is approved this year, funds that are placed in the BSA would be excluded from the Gann act, thus allowing the state to save more during surplus years.

Fiscal Analysis

State budget reserves would be higher. More reserves would make balancing the budget easier in years when the state revenues are lower. The state could also pay more debts each year. Legislative Analyst’s office (LAO)

Supporters Say

- Prop 2 will protect schools, healthcare and public safety during economic downturns by doubling the rainy day fund.
- It stops politicians from overspending when there is a budget surplus.

Opponents Say

- Prop 2 guarantees more spending and makes taxpayer rebates less likely.
- It provides no new funding for education, healthcare, or public safety.

For More Information

Supporters:

- Yes on Prop 2 – yesonProp2.com
- Darrell Roberts, President, California Professional Firefighters
- Jesse Gabriel, Chair, California State Assembly Budget Committee
- Maria S. Salinas, CEO, Los Angeles Area Chamber of Commerce

Opponents:
- David Tangipa, Assemblymember - rejectProp2@gmail.com
- David Tangipa, Vice Chair, Assembly Budget Committee
- Steven Choi, Vice Chair, Senate Elections and Constitutional Amendment Committee
- Carl DeMaio, Chairman, Reform California

Spending in Support/Opposition

No spending in support or in opposition as of September 9, 2026.

Choosing Yes or No

A "yes" vote means you support the state increasing the Budget Stabilization Account (BSA) cap from 10% to 20% of general fund revenue and excluding deposits into the BSA from the state appropriation limit set by the Gann Act.

A "no" vote means you oppose the state increasing the Budget Stabilization Account (BSA) cap from 10% to 20% of general fund revenue and excluding deposits into the BSA from the state appropriation limit set by the Gann Act.

Sources

1. https://calbudgetcenter.org/app/uploads/2022/10/Prop-2-2020-IB.pdf
2. Overview of ACA 20
3. https://ebudget.ca.gov/2025-26/pdf/BudgetSummary/RevenueEstimates.pdf?utm_source=chatgpt.com
4. https://calbudgetcenter.org/resources/californias-rainy-day-fund-and-other-budget-reserves-overview/
5. https://www.sos.ca.gov/administration/news-releases-and-advisories/2026-news-releases-and-advisories/secretary-state-shirley-n-weber-phd-assigns-numbers-november-ballot-measures-invites-ballot-arguments
6. https://calbudgetcenter.org/resources/qa-why-hitting-gann-limit-threatens-ongoing-investments-in-californians/

Proposition 3 – Extends Certain Income Tax Rates

Initiative Constitutional Amendment

The Question

Should the income tax increases passed by voters in 2012 and extended in 2016 to fund public schools and low-income healthcare be made permanent?

The Situation

The income tax is the state's largest tax. It pays for the majority of spending from the state's main operating account, the General Fund. The tax applies to most types of income, such as salaries, wages, interest, and profits from the sale of stocks, property, and other investments.

In 2012 California voters passed Prop 30. It amended the State Constitution to:

- increase the state sales tax from 7.25% to 7.50% for a period of four years
- create new income tax brackets with higher tax rates for incomes exceeding $250,000 for a period of seven years

The top 2 percent of California taxpayers pay these higher rates. These taxpayers pay about half of all state income taxes.

Revenue from these extra taxes is put into the Education Protection Account, which is distributed to K-12 schools and community colleges. Some money was also allocated to public safety. It was estimated in 2012 that Prop 30 would raise about $6M annually. The income tax increases were to be phased out starting in 2018. The tax brackets are adjusted annually, based on inflation. For example, the current threshold for a single filer is $371,000 – up from the original $250,000.

In 2016 California voters passed Prop 55. It amended the State Constitution to extend by twelve years (through 2030) the temporary personal income tax increases enacted in 2012, with revenues allocated to K-12 schools and California community colleges. Prop 55 did not extend the 2012 sales tax increase.

If there are funds in excess of the Proposition 98 education-funding requirement and the education workload budget in the EPA, then 50% of the excess (not to exceed $2 billion per fiscal year) must be allocated to the state Department of Health Care Services. These funds must be used for critical, emergency, acute, and preventive health care for children and their families, primarily through Medi-Cal programs.

Proposed Proposition

Prop 3 would amend the State Constitution again to make the income tax increases of Prop 30 (2012), and extended by Prop 55 (2016), permanent or until repealed by the voters.

Figure 1

Personal Income Tax Rates Under This Proposal

Single Filer's Income	Joint Filers' Income	Marginal Tax Rate		
			After 2030, If This Proposal Is...	
		Now Through 2030	Approved	Rejected
$0 to $11k	$0 to $22k	1.0%	1.0%	1.0%
$11k to $25k	$22k to $51k	2.0	2.0	2.0
$25k to $40k	$51k to $80k	4.0	4.0	4.0
$40k to $56k	$80k to $112k	6.0	6.0	6.0
$56k to $71k	$112k to $141k	8.0	8.0	8.0
$71k to $361k	$141k to $721k	9.3	9.3	9.3
$361k to $433k	$721k to $866k	10.3	10.3	9.3
$433k to $721k	$866k to $1.4 million	11.3	11.3	9.3
Above $721k	Above $1.4 million	12.3	12.3	9.3

As shown in the table above, the marginal tax rates for incomes in the three highest brackets are now 10.3% to 12.3% because of Prop 30. If Prop 3 fails, the maximum tax rate would fall to 9.3% beginning in 2031.

Fiscal Analysis

The Measure Would Bring in Between $5 Billion and $15 Billion Each Year
The amount of money brought in by this measure is hard to predict and will go up and down with the economy. This is because much of the revenue comes from taxing investment income and capital gains. These types of income are closely tied to the stock market and therefore go up and down a lot from year to year. In a weak year, the measure might bring in around $5 billion in revenue. In a strong year, the measure might bring in $15 billion in annual revenue. In most years, revenue brought in by the measure would be in between these amounts. These amounts are in today's dollars and would tend to grow over time.

A Large Portion of the Money Would Go to Schools and Community Colleges
The State Constitution (Prop 98) requires the state to spend a large portion of new money on schools and community colleges. Typically, about 40 percent of the revenue brought in by this measure would go to schools and community colleges.

A Smaller Portion of the Money Would Go to Reserves
The State Constitution requires the state to set aside money to save in budget reserves. Reserves help the state balance its budget when the economy is weak and revenues

decline. Some of the money brought in under this measure would be saved in reserves. This means the state would have more money in savings to balance the budget when the economy is weak.

Remaining Money Could Be Spent on Other State Programs
Money brought in under this measure that does not go to schools, community colleges, or reserves could be used for other state programs.

Supporters Say

- Prop 3 is not a new tax. It's been paid for the past 15 years.
- It prevents millionaires and billionaires from getting a tax cut.
- It requires strict accountability to ensure school funding gets to classrooms.
- It only affects the top 2% of California taxpayers.
- It protects healthcare and fire protection.

Opponents Say

- Prop 3 turns "temporary" taxes into permanent taxes.
- Higher taxes mean a higher cost of living. California already has the highest income, sales, and gas taxes in the nation.
- Waste, fraud and overspending by the state government are not an excuse to raise taxes.
- California's population barely grew in the past decade but spending has more than doubled.
- It will drive people of greater means out of the state.

For More Information

Supporters:
- Yes on Prop 3 - YesProp3CA.com
- David Goldberg, President, California Teachers Association
- Katie Nilsson, RN, President, California School Nurses Organization
- Jodi Hicks, President, Planned Parenthood Affiliates of California

Opponents:
- No on Prop 3 - VoteNoProp3.com
- Robert Gutierrez, President, California Taxpayers Association
- Robert Rivinius, President, Family Business Association of California
- Julian Canete, President, California Hispanic Chambers of Commerce

Spending in Support/Opposition

Top funders in support **as of August 29** were:

- California Teachers Association/Issues PAC: $18M
- National Education Association: $4M
- California Federation of Teachers COPE Prop/Ballot Committee: $750K
- PACE of California School Employees Association - Issues: $500K

There has been no reported spending in opposition to Prop 3.

Choosing Yes or No

A "yes" vote means the income tax increases passed in 2012 and extended in 2016 would become permanent, or until repealed by the voters.

A "no" vote means the income tax increases would expire at the end of 2030.

Sources

Ballotpedia
https://ballotpedia.org/California_Proposition_30,_Sales_and_Income_Tax_Increase_Initiative_(2012)

https://ballotpedia.org/California_Proposition_55,_Extension_of_the_Proposition_30_Income_Tax_Increase_(2016)

https://ballotpedia.org/California_Proposition_3,_Renew_State_Income_Tax_Increase_for_Education_Funding_Initiative_(2026)

https://www.fppc.ca.gov/search-filings/top-10-contributors-list/november-2026-general-election/

Proposition 4 – End Ban on Public Financing of Campaigns

Legislative Statute

The Question

Should California remove the current prohibition on public financing of campaigns to allow any city, county, district, as well as the state itself the opportunity to pass public funding systems as long as the systems meet specific requirements?

The Situation

Currently state law prohibits the state, counties, districts, and general law cities from providing public financing for campaigns as enacted by the 1988 passage of Proposition 73, the "Funds for Election Campaigns Initiative."

Charter cities are, however, allowed to do so. Five California charter cities currently employ different public financing models for their local office races as ways to amplify the voices of regular people. In other parts of the United States approximately 14 states and 20 localities allow public financing of campaigns.

Johnson v. Bradley (1992) explicitly permitted charter cities to use public money for campaign finance.

A previous legislative attempt in 2016 to remove the public financing ban (SB 1107 by Senator Allen) was struck down by the courts because it was ruled that altering this provision of the Political Reform Act of 1974 must be put before the voters via a ballot measure.

Proposed Proposition

If passed, the proposition would repeal the ban on public funding of campaigns, thereby allowing all CA state or local governments to establish programs for the public funding of election campaigns. Public funding programs may not use funds earmarked for education, transportation or public safety. In addition, public funding of campaigns is limited to these spending limits and eligibility rules:

- Requires that public funding candidates must abide by expenditure limits and meet strict criteria to qualify.
- Prohibits the use of public funds to pay for legal defense or fines.

- Prohibits candidates that receive public funds from repaying personal loans with public funds, or repaying personal loans with private donations after the campaign ends.
- Prohibits public funding from discriminating based on party or against challengers in favor of incumbents.

The measure would also significantly increase criminal violation fines for specified foreign entities from an amount equal to the contribution up to three times that amount.

This proposition is a legislative referral (SB42 10/25) that amends state statute.

The California Fair Elections Act was put on the ballot with passage of SB42 in October 2025.

Fiscal Analysis

The California Fair Elections Act does not mandate public financing nor does it create a public campaign finance program at either the state or local levels; it simply allows local communities to decide whether they want to adopt it. It requires the redirection of public funds, except those earmarked for education, transportation, or public safety, for public campaign financing.

The California Fair Political Practices Commission (FPPC) would incur estimated costs of $200,000 for one additional attorney position to answer questions from state and local governments about public campaign finance programs. In addition, the FPPC anticipates additional enforcement costs of an unknown amount. The Legislative Analyst's Office has not reviewed costs.

Any costs associated with a future state public campaign finance system are not known and would depend on future legislative decisions related to the design of such a program. The estimated cost per taxpayer has averaged about $1 per taxpayer based on cities and states where public financing of elections has been implemented.

Supporters Say

Supporters contend that allowing opportunities for more public financing of campaigns will:

Amplify the voices of everyday voters and candidates and offer them a viable alternative to fundraising that relies on wealthy donors and special interests**.**

Allow qualified candidates from all walks of life to compete and win. Public funding systems help qualified candidates run competitive campaigns even if they aren't wealthy and lack wealthy donors.

Increase the diversity of campaign contributors. Studies have shown that participating campaigns were spread across a more diverse area (Berkeley, 2018) and expanded the donor pool to be larger and more diverse in Seattle (2017).

Prohibit public funding from discriminating based on party or against challengers in favor of incumbents.

Opponents Say

Opponents raise concerns that passage of the Act could:

Compel governments to abandon prudent fiscal policies or take advantage of the tax dollars they receive.

Force taxpayers to finance political speech they do not wish to support, such as negative political ads.

Lead to abuse and corruption if candidates fraudulently seek financing.

For More Information

Supporters:

- Yes on Proposition 4, Californians for Fair Elections, sponsored by Government Reform Advocates – CAFairElections.org
- Lorrel Plimier, Co-President, League of Women Voters of California
- Catherine Kennedy, President, California Nurses Association
- Tom Umberg, California State Senator

Opponents:

- California Taxpayers Association – caltax.org/prop4
- Dan Schnur, Former Chair, Fair Political Practices Commission
- Colleen McAndrews, Former Commissioner, Fair Political Practices Commission
- Julian Canete, President, California Hispanic Chambers of Commerce

Spending in Support/Opposition

To date, no committees have registered to support or oppose the ballot measure. See https://cal-access.sos.ca.gov/Campaign/Measures

Choosing Yes or No

A “yes” vote means that you want to allow for the possibility of enacting public financing systems of campaigns in any California city, county, district, or the state itself as long as the systems meet specific requirements.

A “no” vote means that you are against enacting public financing systems anywhere in California.

Sources

1. Ballotpedia
   https://ballotpedia.org/California_Proposition_4,_Allow_Public_Financing_of_Election_Campaigns_Measure_(2026)

2. League of Women Voters
   https://lwvc.org/launch-campaign-california-fair-elections-act/

3. USC Annenberg Media
   “A new bill would allow publicly financed elections in California”
   https://www.uscannenbergmedia.com/2026/04/24/a-new-bill-would-allow-publicly-financed-campaigns

4. Statewide Ballot Measures Proposition 4
   SB 42 (Umberg) Political Reform Act of 1974: public campaign financing: California Fair Elections Act of 2026. (Ch. 245, 2025) (PDF)

5. LWVCA “Lift the Ban on Public Financing of Campaigns in California”
   https://lwvc.org/lift-ban-public-financing-campaigns/

6. “Unrig: How to Fix Our Broken Democracy”
   https://us.macmillan.com/books/9781250295309/unrig/

7. “Guide to Public Financing Programs Nationwide”
   https://www.brennancenter.org/our-work/research-reports/guide-public-financing-programs-nationwide

Proposition 5 – Changes to Recall Elections

Legislative Constitutional Amendment

The Question

Should the California Constitution be amended to require that recall elections of state officers be decided by a single “yes” / “no” vote, separate from elections to replace the recalled officer?

The Situation

Recall is the power of the voters to remove elected state officers before their terms expire. State officers include the Governor, Lieutenant Governor, Secretary of State, Treasurer, Controller, Attorney General, Superintendent of Public Instruction, Insurance Commissioner, Members of the State Board of Equalization, State Legislators, and Justices of Courts of Appeal and the State Supreme Court.

Currently, California uses a *Simultaneous Election* method to choose a successor for recalled state officers. The California Constitution provides that voters may recall a state officer by majority vote and, in the same election (on the same ballot) elect a successor with a plurality of the vote. If the **majority** of voters support a state officer’s removal from office, the lead voter-getter among replacement candidates is declared the winner. The recall target is removed from office by a **plurality** of voters.

According to the National Conference of State Legislators, recalls vary based on how the successor is selected: Simultaneous Elections (7 states, including California), *Separate Special Election* (5 states), and *Appointment to Fill a Vacancy* (8 states). Recall differs from impeachment, which is a legal process.

The recall process includes recall proponents serving notice on the recall target, filing a petition with the Secretary of State, disclosing the top recall funders, and obtaining a specified number of certified signatures within 160 days. Nominations of replacement candidates to succeed the recalled officer follow the required steps to be qualified and placed on the recall ballot. The Constitution prohibits an officer who is the subject of a recall election from being a candidate for successor. This prohibition also applies to judges in the state Supreme Court of court of appeals.

Recall elections must be conducted within 60 to 80 days from the date of certification of sufficient signatures. However recall elections may be conducted within 180 days from the date of certification to allow consolidation with the next regularly scheduled election.

Due to recall election timelines, the recall generally triggers a special, unscheduled election.

The state's laws of succession provide that the Lieutenant Governor shall become Governor upon a vacancy and act as Governor during absence or disability from office. The Legislature provides an order of precedence after the Lieutenant Governor. In the case of a successful recall of a Court of Appeal justice, the Governor will appoint a successor.

In the state's long history of recall attempts, which largely failed to qualify for the ballot, an unsuccessful 2021 gubernatorial recall election and voter confusion prompted calls for reform by several good governance groups.

Recent Recall History – The 2021 California gubernatorial recall election started in August 2021 and ended on September 14, 2021, when the majority of California voters chose not to recall Governor Gavin Newsom, elected for the term January 2019 to January 2023. The ballot asked voters two separate questions: whether to recall Newsom as governor, and which of 46 candidates listed should replace Newsom as governor if he were recalled. All voters could answer the second question regardless of their vote (if any) on the first. For the two-part ballot, 12,838,565 voters answered the first question, only 7,361,568 voters answered the second. Had the recall been successful, the replacement candidate with the most votes on the second part of the ballot, not the majority of voters, would have assumed the office.

State vs. Local Recalls - This proposition relates to recall of state officers. California laws and procedures that apply to the recall of local officers are different. Local officials are defined as elective officers of a city, county, school district, community college district, special district, or a judge of a superior court.

AB 2582 (Bennett) signed by the Governor in 2022 requires a local recall election to include only the question of whether the elected officer sought to be recalled should be removed from office. It also requires the office, if a local officer is successfully recalled, to become vacant and to be filled in accordance with existing law.

Proposed Proposition

The proposition would amend the California Constitution to change the recall of elected state officers to a single "yes" / "no" question.

A vacancy created by a successful recall would require that a replacement candidate be selected with majority support in a separate, subsequent election.

The officer removed from office would be barred from appointment to fill the resulting vacancy; however, recalled officers would be allowed to run again for the same office at a special election, if one is held.

In the case of recall of the governor, the lieutenant governor would temporarily succeed the governor. If the recall occurs in the first two years of the governor's term, a special replacement election would be consolidated with the next statewide primary election and subsequent statewide general election. In that election if a candidate receives a majority of the votes, that candidate would become governor for the remainder of the unexpired term. If no candidate receives a majority of the votes, the top two vote-getters would compete in a special election consolidated with the subsequent statewide general election, and the winner of that election would become governor for the remainder of the unexpired term.

If the recall occurs in the last two years of the governor's term, the lieutenant governor would serve as governor for the remainder of the recalled Governor's term.

In the event of recall of other statewide elected officers (listed in The Situation) there would be no replacement election; the Governor would appoint a replacement for the remainder of the term. In the event of the recall of a state legislator, the position would remain vacant until a special election can be held.

Assemblymember Josh Newman (District 29) initiated the amendment. It was chaptered by the Secretary of State on September 10, 2024 following passage in the Legislature: Senate (32-8) Assembly (59-17-3).

Fiscal Analysis

According to the Legislative Analyst's Office:

- Fiscal effects depend on the frequency of recalls and the offices recalled. Recall of statewide offices would affect election officials in 58 counties. Recall of a district office (member of the legislature) would only affect the election official in that district.
- Potential costs could result if a special election is necessary to fill the vacant office after a recall.
- Potential savings could result by removing the second question from the ballot because ballots and voting materials would no longer include information about replacement candidates.

The net fiscal effect is unknown because it depends on future recall elections. Prop 5 could lead to savings or costs potentially in the range of millions of dollars to administer recall elections.

Supporters Say

Prop 5 keeps the recall decision focused on whether an officeholder should remain in office, while ensuring any replacement is chosen through a regular election.

- The recall vote would be limited to a clear Yes or No decision on whether the officeholder should stay in office.
- Prop 5 would preserve voters' power to remove an officeholder by majority vote while closing a loophole that can allow a replacement candidate to take office with only a small share of the vote.
- Supporters say choosing who governs should happen in a regular election, where candidates must earn majority support from California voters.

Opponents Say

Prop 5 would weaken California's recall process by separating the decision to remove an officeholder from the decision about who should replace that person.

- They say voters should retain the right both to remove an elected official and to choose the replacement at the same time.
- They argue that leaving the seat vacant until a later special election could delay the change voters intended and create additional taxpayer-funded election costs.
- They contend that California's recall process has worked for more than 100 years and that delaying replacement of a recalled officeholder would undermine voters' ability to change their government promptly.

For More Information

Supporters:

- Californians for a Prosperous Golden State – fixtherecall.com
- Lorrel Plimier, Co-President, League of Women Voters of California
- Darius L. Kemp, MPA, Executive Director, California Common Cause
- Dan Schnur, Former Chair, California Fair Political Practices Commission

Opponents:

- Brian W. Jones, Senate Minority Leader
- Joe Patterson, Assemblymember

Spending in Support/Opposition

No contributions have been recorded either in support or opposition to the measure at this time.

Choosing Yes or No

A “yes” vote means the decision to recall a state officer should be a single question on a recall ballot.

A “no” vote means the recall ballot will continue to contain two questions: 1) to recall an officer and 2) to select a replacement officer.

Sources

- *Secretary of State* SCA 1
- *Secretary of State* Procedures for Recalling State and Local Officials
- Digital Democracy CalMatters SCA 1
- Fair Political Practices Commission FAQ on Recall Elections
- National Conference of State Legislators Recall of State Officers
- California - Ballotpedia - SCA 1
- Wikipedia - 2021 California Gubernatorial Recall Election

Proposition 37 – Bonds to Help Middle-Income Californians Buy New Homes

Initiative Statute

The Question

Should the state allow CalHFA to issue up to $25 billion in revenue bonds to help eligible middle-income Californians buy newly built homes through second mortgages, and change certain construction defect rules for builders who participate in a voluntary program?

The Situation

California's housing shortage has made homeownership increasingly difficult for middle-income households. Many prospective buyers can afford monthly mortgage payments but cannot accumulate the down payment needed to purchase a home. In addition, relatively little new for-sale housing, particularly condominiums and townhomes, has been built in recent years, and many existing assistance programs target lower-income households rather than middle-income buyers.

<u>Current Housing Assistance</u>: The California Housing Finance Agency (CalHFA), established by the 1975 Housing and Home Finance Act, administers many programs to assist people with low and moderate incomes in renting and buying homes. Since many people can afford the mortgage payment but struggle with a down payment, some of these programs may include "second mortgages" (loans that must be repaid) that serve as down payment assistance. Existing law authorizes CalHFA to issue up to $13.15 billion in revenue bonds to meet these needs.

Builders have long argued that California's existing right-to-repair and construction-defect litigation framework makes developing for-sale multifamily housing and condominiums financially risky, contributing to the limited construction of new condos and townhomes in the state.

<u>Construction Defects:</u> Current law (Title 7 of the Civil Code, passed in 2002 as SB 800 Right to Repair Act) establishes detailed construction standards and requires homeowners to complete a mandatory pre-litigation notice-and-repair process, allowing builders to inspect and fix alleged defects before a lawsuit may be filed. It also defines liability broadly for violations of those standards (even without resulting damage), sets problem-specific timelines, and emphasizes repair as the primary remedy while regulating how disputes must be resolved.

Related Legislation: Voters are also considering a separate $10 billion general obligation bond for affordable housing (SB 417) on the same ballot. Unlike the revenue bonds in this initiative, general obligation bonds are repaid directly from the state's General Fund.

Proposed Proposition

This program is primarily aimed at households with moderate to higher incomes who may not qualify for existing CalHFA programs but still struggle to afford home prices in California.

Main Provisions – Second Mortgage Program: This measure authorizes CalHFA to issue $25 billion in revenue bonds (separate from its existing bond authority) to fund the "Middle-Class Homeownership Loan Program".

- Borrower Eligibility: Applicants must have been a California resident for at least one year and earn no more than 200% of the Area Median Income (AMI) of the county where the home is purchased.
- The Loan: Provides a secondary mortgage for up to 17% of the purchase price.
- Borrower Funds: The applicant must provide at least a 3% down payment from their own personal funds (not a grant or other loan).
- Occupancy: The applicant must occupy the home as a primary residence within 60 days of closing.
- Property Eligibility: Limited to **newly constructed** homes, townhomes, condominiums, or repurposed nonresidential units where the applicant is the first purchaser.
- Sales Price and Loan Limit Cap: The sales price is capped at 125% of the conforming loan limit (ranging from approx. $1M to $1.5M in 2025).
- Foreclosure Rights: The measure allows CalHFA to follow different foreclosure procedures on these loans than those required for some private lenders.

Consumer Protections: The following consumer protections will be established:

- Lender Origination Fee: A lender may charge an origination fee of up to 0.5% or $290, whichever is greater.
- Early Payment Penalty: No penalty can be charged for early payment of the second mortgage.
- Fixed Rate Mortgage: The second mortgage shall be a fixed-rate mortgage.

- Credit Score: If the applicant's credit score falls below the program minimum, the lender shall allow the applicant to submit financial records to enable "cash flow underwriting" to qualify the applicant for more favorable terms under the program.
- Realtor/Broker: Applicant shall retain a licensed California real estate agent or broker.

Main Provisions – Qualified Builder Option: Developers/builders can voluntarily "opt-in" to a Qualified Builder program. These changes affect how disputes over construction quality are handled and may change the balance of protections between homeowners and builders. However, supporters and opponents may disagree on whether these changes improve the efficiency of disputes or reduce homeowner protections.

- Builder Liability: Developer/Builder must accept full liability for all labor law violations committed by any of their contractors or subcontractors at any tier, including:
  - Valid state contractor's license
  - Worker's compensation insurance
  - Labor law violations
  - Employer obligations under Unemployment Insurance Code (Div 1 & 6)
- Modified Right to Repair: Participating developers and builders are subject to modified "Right-to-Repair" procedures, including:
  - The ability to communicate directly with homeowners during pre-litigation.
  - Homeowners must provide more detailed notices that identify each residence and the specific violation, and these notices must be signed by each homeowner alleging a violation.
  - The right to obtain a written release/waiver from the homeowner once repairs are finished to the owner's satisfaction.
  - A cap on attorney fees at 30% of total recovery.
  - Builder may bring a motion to dismiss litigation if claimant has not taken affirmative action within 120 days.

Initiator: Robert M. Hertzberg, former State Senate Majority Leader and Assembly Speaker. Hertzberg represented the San Fernando Valley - 18th Senate District and 40th Assembly District.

Related Legislation

California's 2026 Housing Strategy: Funding and Reform

Proposition 1 - The Veterans and Affordable Housing Bond Act of 2026
Proposition 37 - The California Middle-Class Homeownership and Family Home Construction Act of 2026
Proposition 45 - The Building an Affordable California Act

The November 2026 ballot presents voters with a multi-layered approach to the state's housing shortage. While they share the goal of increasing housing availability, they function as different "tools" in the toolkit: Props 1 and 37 provide financing for different income levels. At the same time, Prop 45 seeks to reform the regulatory process to ensure those projects are built faster.

1. The Funding Mechanisms: Prop 1 & Prop 37

These two bond measures are complementary, as they target different populations, provide for different housing types, and use different financial structures:

Target Populations: Prop 1 focuses on providing a mix of subsidized rental housing and homeownership assistance for families with low incomes, farm workers, students, veterans, and individuals experiencing homelessness, to name a few. Prop 37 assists moderate-income households (up to 200% of Area Median Income) who earn too much to qualify for traditional assistance programs yet are still priced out of homeownership.

Project Scope: Prop 1 funds both construction of new housing (rental and permanent) and the preservation and rehabilitation of existing affordable housing. Prop 37 is strictly limited to newly constructed homes to incentivize an increase in total housing supply.

Financial Impact: Prop 1 uses General Obligation bonds, which are repaid by the state and its taxpayers via the General Fund (though the veterans' portion is intended to be repaid through their mortgage payments). Prop 37 uses Revenue bonds, which are intended to be self-sustaining and repaid solely by the participating homeowners, carrying no direct cost to the state budget.

2. Removing The Regulatory "Roadblock": Prop 45

While Props 1 and 37 provide the "fuel" (funding), Prop 45 aims to "clear the road" by addressing the environmental, permitting, and litigation delays that supporters claim make housing too expensive to build. Prop 45 establishes strict, mandatory time limits for environmental reviews (CEQA) and permit approvals (PSA) for "essential projects," which explicitly includes the housing types funded by Props 1 and 37. Prop 45 also requires courts to resolve legal challenges to essential projects within mandatory time limits to prevent years of construction delays.

Voter Perspective
While these measures could appear complementary (in the interest of expanding access to more affordable housing in California), critics express concern that placing several complex housing initiatives on a single ballot may cause voter confusion or dilute support for individual measures.

Fiscal Analysis

The Legislative Analyst's Office found no direct state or local costs as the program is designed to be self-sustaining. The $25 billion in bond debt and all state administrative expenses are intended to be repaid by participating homeowners through their mortgage payments and interest. The LAO notes that the program's ultimate impact will depend on investor demand, borrower participation, and whether the measure increases home construction and homeownership.

Supporters Say

- **Builds More Homes:** By limiting assistance to newly built housing, supporters argue the measure encourages additional home construction.
- **Reduces Down-Payment Barriers:** Helps households that can afford monthly mortgage payments but struggle to save for a large down payment.
- **Expands Access**: Builds on current programs by helping middle-income households who may not qualify for existing programs.
- **No Taxpayer Risk**: Uses revenue bonds repaid by homeowners, protecting the state's General Fund.
- **Consumer Protections:** Includes borrower safeguards and financial protections while expanding access to homeownership.

Opponents Say

No official ballot argument against Proposition 37 was submitted. The following concerns have been raised in policy discussions regarding the measure:

- **Default Exposure**: With less upfront investment (3% down payment), borrowers have a smaller financial stake, which may increase risk to lenders and bondholders.

- **Location Risk**: The measure does not prioritize existing urban areas, risking more development in greenfield and agricultural areas, which leads to less investment in existing communities, could increase travel distances and could affect transportation and environmental conditions.
- **Protection Limits**: Modified right-to-repair rules and attorney fee caps may make it harder for homeowners to hold builders accountable for poor construction.
- **Voter Confusion**: Having multiple housing-related measures on the same ballot may confuse voters and dilute support for other affordable housing efforts.

For More Information

Supporters:

- Yes on 37 - VoteYeson37.com
- Danny Curtin, Director, California Conference of Carpenters
- Fiona Ma, Board Member, California Housing Finance Agency (CalHFA)
- David West, Chair, California State Commanders Veterans Council

Opponents**:**

- No official opposition campaign was identified in the Official Voter Information Guide.

Spending in Support/Opposition

Cal Access - Prop 37:
Cal Access for Prop 37 Campaign Contributions

In Support as of 9/10/26 - $16.5M Total. Top 6 Contributors:

Building a Better California	$6,000,000
Calif Assoc of Realtors Issues Mobilization PAC (IMPAC)	5,000,000
Homeownership for Families, Sponsored by Calif Assoc of Realtors	4,000,000
United Brotherhood of Carpenters & Joiners of America	750,000
Western States Regional Council of Carpenters Issues Committee	400,000
Northern California Carpenters Regional Council Issues PAC	400,000

Choosing Yes or No

A "YES" vote means: You support authorizing $25 billion in revenue bonds for a middle-class second-mortgage program and allowing developers to access modified construction-defect rules if they accept full liability for subcontractor labor violations. PER THE VOTER INFORMATION GUIDE: The state would create a new homebuying assistance program. The state could sell up to $25 billion in revenue bonds to fund the program. Bonds would be paid back by homeowners' payments on their home loans.

A "NO" vote means: You oppose this bond-funded loan program; existing CalHFA homeownership assistance and state construction defect laws would remain unchanged. PER THE VOTER INFORMATION GUIDE: The state would not be required to create a new homebuying assistance program.

Sources

- Official Voter Information Guide - Prop 37
- Prop 37 Full Text
- LAO Fiscal Analysis (A.G. File No. 25-0013)
- Ballotpedia Prop 37
- *California Legislative Information*
- *Digital Democracy | CalMatters*
- *Public Policy Institute of California*
- *Institute of Governmental Studies*
- *California - Ballotpedia*
- *CalHFA Existing Homebuyers Programs*
- *California Fair Political Practices Commission*
- *Calif Secretary of State Initiatives*

Proposition 38 – Bonds for Research on the Immune System

Initiative Statute

The Question

Should California authorize $8.4 billion in general obligation bonds to fund immunology and immunotherapy research, including approximately $4.2 billion for a single nonprofit research institute affiliated with the University of California and $4.2 billion for grants to other California public and nonprofit universities and research institutions?

The Situation

Medical Research Funding

Medical research and development (R&D) generally moves through several stages:

1. <u>Basic research</u>—often conducted by universities and nonprofit research institutions—focuses on understanding disease and developing new scientific knowledge.
2. <u>Applied and clinical research</u> then evaluates potential therapies in laboratory and patient settings before treatments can be approved for public use.

According to the Legislative Analyst's Office, private industry provides approximately 65% of U.S. medical research and development funding, while the federal government provides about 25%. State governments play a comparatively small role in funding medical research. Federal agencies, including the National Institutes of Health (NIH), have historically been major sources of funding for biomedical research. Federal funding levels and research priorities can change over time, creating uncertainty for long-term research projects. While funding medical research has traditionally been a federal responsibility, there remains a question of whether state taxpayers should assume a larger role.

Immunology and Immunotherapy

Immunology is the study of the body's immune system. Immunotherapy involves treatments that use or modify the immune system to prevent, treat, or cure disease. Although immunotherapy is most commonly associated with cancer treatment, researchers are also investigating its potential use in Alzheimer's disease, heart disease, autoimmune disorders, diabetes, infectious diseases, and other chronic conditions. California is home to numerous immunology and immunotherapy research programs, including those affiliated with UCLA, UCSF, UC San Diego, UC Irvine, Stanford University, and other nonprofit research institutions.

Previous State Research Bonds
California voters have previously approved large bond measures to support biomedical research.

Proposition 71 (2004) authorized $3 billion in general obligation bonds and created the California Institute for Regenerative Medicine (CIRM) to support stem cell research. This measure passed 59% to 41%.

Proposition 14 (2020) authorized an additional $5.5 billion in general obligation bonds to continue funding CIRM. This measure passed 51% to 49%.
Unlike Props 71 and 14, which distributed funding broadly through CIRM grant programs, this measure directs 50% of its funding to a <u>single</u> qualifying institute. Supporters of these measures cite the development of research facilities, clinical trials, biotechnology companies, workforce training programs, and medical discoveries associated with CIRM-funded research. Studies commissioned by supporters estimated that CIRM funding contributed to thousands of jobs and billions of dollars of economic activity in California.

Critics note that scientific advances often take decades to develop and that direct financial returns to taxpayers through royalties and licensing revenue have been relatively modest compared with the overall public investment. In fact, the LAO's analysis of Prop 14 reported that as of 2019, CIRM grant recipients had contributed $352,560 in total invention-related income to the state. They also point to governance and conflict-of-interest concerns that emerged during CIRM's operation.

Unlike CIRM, which distributes funding across many institutions through a grant process, this measure would direct half of all bond proceeds to a single research institute while distributing the remaining funds through competitive grants.

Proposed Proposition

The California Immunology Research and Cures Initiative would authorize **$8.4 billion in state general obligation bonds,** issued incrementally as funding is requested, for immunology and immunotherapy research. The state would repay the bonds, with interest, from the General Fund over time.

The measure allocates funds as follows:

Single Research Institute — 50% ($4.2 billion)
Half of all bond proceeds would be awarded to a single nonprofit medical research institute selected by the California Department of Public Health. The institute must meet detailed eligibility criteria, including:

- An affiliation agreement with a University of California campus
- Existence before January 1, 2025
- A specific focus on immunology and immunotherapy research
- Demonstrate significant philanthropic funding commitments
- Maintain vaccine-development and microbiome-research programs
- Control a large research facility site of specific square footage
- Include UC representatives in governance
- DPH may modify these criteria *only if* no institute meets the original requirements and only to the “minimum amount of modification necessary”

The measure does not identify any institution by name, and it is unclear how many institutions would satisfy all eligibility requirements. Some observers may note, however, that the eligibility requirements appear similar to publicly described characteristics of the California Institute for Immunology and Immunotherapy (CIII), a nonprofit institute affiliated with UCLA that was established with substantial philanthropic support, including funding from initiative proponent Gary K. Michelson.

Competitive Grants — 50% ($4.2 billion)
The remaining funds would be distributed through research grants to California-based public and nonprofit universities and nonprofit research institutions. Grant funding would support research projects in immunology and immunotherapy selected through a review process overseen by a newly created Advisory and Accountability Research Council.

Additional Provisions:

Disease Focus: At least $4.2 billion of the total bond funding must support research related to cancer, heart disease, and Alzheimer's disease. The measure also authorizes research involving other diseases and conditions in which the immune system is believed to play a role.

California Suppliers: Grant recipients must buy at least half of their goods and services from California suppliers when reasonably possible.

Revenue Repayment: Recipients of research funding are required to pay the state 10% of revenues generated from the licensing, sale, or commercialization of intellectual property developed through funded research. *Note*: Similar repayment expectations were discussed when Proposition 71 was approved, although direct royalty and licensing revenues returned to the state have been considerably smaller than the overall public investment.

Drug Pricing: Recipients that develop drugs or technologies using program funding must make those products available to California patients, hospitals and insurers at prices at least 20% below the national average price.

Oversight:
- Creates an Advisory and Accountability Research Council, including representatives appointed by UC Chancellors, responsible for setting research priorities and selecting grant recipients.
- A Citizens' Financial Accountability Oversight Committee to review audits, monitor financial practices, and issue public reports.
- State administrative costs are capped at 2% of total bond funds.
- Annual reporting and audit requirements for both the selected institute and grant recipients.

Initiator: The measure was proposed by **Gary K. Michelson, M.D.**, a surgeon, inventor, and philanthropist. Michelson is also a founder and major donor associated with the California Institute for Immunology and Immunotherapy (CIII).

Fiscal Analysis

According to the Legislative Analyst's Office:
- The state would incur additional debt service costs of approximately **$500-$ 600 million per year over 20 years** to repay the bonds.
- The state could recover some of these costs if the funded research generates sufficient licensing revenue or commercialization proceeds.
- Any repayment under the initiative's revenue-sharing provisions is uncertain and could take many years or even decades. The state's General Fund would remain responsible for paying any outstanding principal and interest.
- Successful medical advances could reduce healthcare costs (such as Medi-Cal) and increase economic activity by spurring growth in California's biotechnology sector, although these effects are difficult to predict.

Supporters Say

- Immunotherapy has the potential to prevent and cure a wide range of debilitating diseases like cancer, Alzheimer's, and diabetes in our lifetime.
- California research institutions are leading important breakthroughs in immunology and immunotherapy.
- The measure includes audits, reporting requirements, and limits on administrative spending.
- Supporters argue that uncertainty in federal research funding makes a dedicated California funding source important for long-term scientific research.

Opponents Say

- Research priorities should be determined through scientific review and the state budget process rather than through ballot measures focused on specific diseases.
- Future public health needs may change, and locking billions of dollars into a single area of medical research could reduce the flexibility to address other priorities.
- There is no guarantee that the funded research will lead to marketable treatments or that the state will ever recoup the bond costs.
- Half of the funding would go to a single research institute instead of being distributed more broadly.

For More Information

Supporters:

- YES on 38: Californians for Life-Saving Immunology Research and Cures - yeson38.com
- Susan Disney Lord, Board Chair, Alzheimer's Los Angeles
- Eugene P. Brandon, Ph.D., Board of Trustees, ALS Association
- Dr. Brian Shuch, M.D., Board of Directors Member, Kidney Cancer Association

Opponents:

- Robert M Kaplan, Ph.D., Stanford University School of Medicine, Clinical Excellence Research Center Medicine - bob.kaplan@stanford.edu

Spending in Support/Opposition

Cal Access Prop 38:
[Cal Access Prop 38 Campaign Contributions]

In Support as of 9/10/26 - $27.2M. All Contributors:

Gary K. Michelson	$12,000,000
Gary K. Michelson and affiliated entity Michelson Center for Public Policy	$8,200,000
Meyer Luskin	5,000,000
Michelson Center for Public Policy, Inc. - Yes on 38 (Nonprofit 501(C)(4))	2,000,000
California Democratic Party	1,247
TOTAL	**$27,201,247**

Choosing Yes or No

A "YES" vote means: You support authorizing the state to borrow $8.4 billion by issuing general obligation bonds to fund immunology and immunotherapy research, with approximately half of the funding directed to a qualifying nonprofit research institute and half awarded through grants to California universities and other nonprofit research organizations. PER THE VOTER INFORMATION GUIDE: The state could borrow $8.4 billion to support medical research in immunology and immunotherapy conducted by California research institutes and universities.

A "NO" vote means: You oppose this bond measure; the state would not issue new bonds for this research, and existing funding sources (federal, private, and university-based) would continue to support this field. PER THE VOTER INFORMATION GUIDE: The state could not borrow $8.4 billion to support medical research in immunology and immunotherapy conducted by California research institutes and universities.

Sources

- *Official Voter Information Guide - Prop 38*
- *Prop 38 Full Text*
- *LAO Fiscal Analysis (A.G. File No. 2025-026)*
- *Ballotpedia Prop 38*
- *California Legislative Information*
- *Digital Democracy | CalMatters*
- *Public Policy Institute of California*
- *Institute of Governmental Studies*
- *California - Ballotpedia*
- *California Fair Political Practices Commission*
- *Calif Secretary of State Initiatives*

Proposition 39 – Prohibits Voting Without ID

Initiative Constitutional Amendment

The Question

Should eligible voters be required to provide government issued-identification to vote either in person or by mail, and should the state be required to maintain voter lists and verify the citizenship status of registered voters?

The Situation

California voters are not generally required to provide identification when voting. In 2024, the state enacted SB 1174, which prohibits any county from requiring voter ID for voting. This measure would supersede that law if passed.

Californians are not required to show proof of citizenship when registering to vote. They must attest that they are citizens when registering, under penalty of perjury, and if they registered by mail or online, they may be asked to provide either their California ID or Social Security number or show ID the first time they vote in a federal election. If a person becomes a citizen within 15 days of an election, they must provide proof of US citizenship in order to register.

Non-citizens are not eligible to vote in state or federal elections. Non-citizens are allowed to vote in board of education elections in two jurisdictions in the state.

California has a centralized voter database, as required by the 2002 Help America Vote Act, and voter-registration data, which is maintained by counties, is automatically fed into this database.

Voter ID Laws in the US

Some states have had voter ID laws since at least the 1950s. Earlier laws allowed for various kinds of identification, including utility bills or other identifying papers (some voter ID laws still allow these as identification). Requiring photo ID is more recent, dating to 2006 (when Indiana became the first state to require photo ID).

Following the passage of the Voting Rights Act of 1965, states subject to preclearance for election changes were generally unable to institute voter ID laws. However, the Supreme Court's 2013 decision in *Shelby County v. Holder*, which held that the VRA's preclearance requirements were unconstitutional, opened the way for a number of states to implement voter ID laws.

Thirty-six states have some kind of voter ID law, though they vary in type and degree. Only ten states have strict laws requiring a photo ID to vote. In these states, a voter without an ID must cast a provisional ballot and has a certain amount of time (usually a few days) to follow up with a photo ID. If they do not follow up, their provisional ballot is not counted.

Despite the highly partisan nature of the issue, voter ID laws are generally supported by a majority of Americans.[1]

Voter ID and Citizenship

Where voter ID campaigns have focused in earlier decades on the need to ensure that a voter is who they say they are, that they do not try to vote more than once, and that they are not deceased, the debate more recently has come to focus specifically on the question of citizenship and the unsubstantiated argument, perpetuated by Donald Trump and his supporters, that US elections are rife with illegal voting by noncitizens and undocumented immigrants specifically. In that regard, the issue now is closely related to other anti-immigrant issues.

California voters are not required to provide proof of citizenship when they register to vote. They assert under penalty of perjury that they are citizens; once a person registers, the state checks their registration against other records to determine that their registration is valid. Under the federal Help America Vote Act of 2002, all first-time voters who register by mail or online must provide a California ID number or the last four digits of their Social Security Number, or present identification showing their name and address before they vote in a federal election; it does not require proof of citizenship.

Proposition 39 also includes a provision for verifying the citizenship status of CA voters and removing them from the voting rolls, but it does not require proof of citizenship on registration. The measure is very similar to AB 25 from 2025, a bill submitted by Carl DeMaio, a main proponent of Prop 39. That bill failed to pass out of committee. It contained a provision requiring a person to show proof of citizenship when registering to vote.

[1] https://web.archive.org/web/20210402100635/https://fivethirtyeight.com/features/americans-oppose-many-voting-restrictions-but-not-voter-id-laws/

Proposition 39 and Federal Laws and Cases

The omission from Prop 39 of a provision requiring proof of citizenship on registration seems likely to be related to the recent federal court decision in the case of *RNC v. Mi Familia Vota*, which the Supreme Court has agreed to hear in its next session. That case concerns an Arizona law, stayed by the federal court, requiring proof of citizenship when registering to vote. The court found that the provision violated the 1993 NVRA. A 2013 Supreme Court decision also held that Arizona cannot require proof of citizenship on federal voting registration forms. The Supreme Court's decision in *RNC v. Mi Familia Vota* seems less likely to have an impact on Prop 39 if it passes, since Prop 39 does not include the same kind of requirement for proof of citizenship. The 2018 decision by a federal court in *Fish v. Schwab* (formerly *Fish v. Kobach*) similarly held that requiring proof of citizenship from voters registering at a DMV violated the NVRA.

Another relevant federal issue is the SAVE Act, which has passed the House of Representatives and that Trump is eager to see pass the Senate and be signed into law. This law would, among other things, create a federal requirement for voter ID in federal elections, which would make Prop 39 redundant. There does not appear to be a clear path to passing the SAVE Act currently, but that could change.

Proposed Proposition

This measure would amend the California constitution to require voters to show a government-issued identification to vote in person, or to write the last four digits of a government supplied ID number on the envelope of their ballot if voting by mail. The state would be required to issue such ID to voters at no cost.

It would require the state to maintain accurate voter registration lists, to verify citizenship attestations using government data, and to report the percentage of each county's voter rolls that had been citizenship verified every year. It would also require the state auditor to audit these efforts in off-cycle election years and to make recommendations for improving the integrity of California elections.

The measure is a citizen-initiated constitutional amendment. It was filed by Assemblymember Carl DeMaio, State Senator Tony Strickland, and Donald DiCostanzo of Californians for Voter ID. It requires the state legislature to implement laws that would fulfill the provisions of the measure.

Fiscal Analysis

The Legislative Analyst's Office estimates one-time state and local costs in the tens of millions of dollars to prepare to implement the measure and additional tens or possibly hundreds of millions of dollars to fulfill the new requirements of the law. These include costs to state and local offices to implement the systems for issuing and checking IDs, for maintaining voter records, for verifying and reporting on citizenship, and for auditing compliance with the measure.

Supporters Say

- Voters are concerned about election security
- Numerous states and other countries require voter ID; it's time for California to catch up
- Californians broadly support voter ID requirements

Opponents Say

- California's elections are already secure
- This measure creates new obstacles to voting
- These obstacles disproportionately affect marginalized groups, including people of color

For More Information

Supporters:

- YES on Proposition 39—Californians for Voter ID - VoterIDCA.org
- Margit Whitlock, Democratic Coalition Chair, Californians for Voter ID
- Tafa Jefferson, Republican Coalition Chair, Californians for Voter ID
- Joe Green, Independent Coalition Chair, Californians for Voter ID

Opponents:

- No on Prop. 39—Californians for Voting Rights - CAforVotingRights.org
- David Trujillo, Executive Director, ACLU California Action
- Darius Kemp, California State Director, Common Cause
- Lorrel Plimier, Co-President, League of Women Voters of California

Spending in Support/Opposition

https://ballotpedia.org/California_Proposition_39,_Voter_Identification,_Citizenship_Verification,_and_Registered_Voter_List_Administration_Initiative_(2026)

Choosing Yes or No

A “yes” vote means that you want California to amend its constitution to require government-issued identification for in-person and mail-in voting, to maintain voter registration lists, to verify citizenship attestations using government data, to report the percentage of each county’s voter rolls that had been citizenship verified every year, to audit these efforts in off-cycle election years, and to make recommendations for improving the integrity of California elections.

A “no” vote means you want to continue allowing Californians to vote as they currently do..

Sources

- https://oag.ca.gov/system/files/initiatives/pdfs/25-0007A1%20%28%28Voter%20ID%29%29.pdf
- https://ballotpedia.org/California_Proposition_39,_Voter_Identification,_Citizenship_Verification,_and_Registered_Voter_List_Administration_Initiative_(2026)
- https://lao.ca.gov/ballot/2025/250376.pdf

Proposition 40 – The 2026 Billionaire Tax Act

Initiative Constitutional Amendment and Statute

The Question

Should certain taxpayers and trusts with over one billion ($1,000,000,000) in assets be charged a one-time wealth tax of 5% on those assets with the resulting funds going mainly to state funded health care initiatives?

The Situation

California, and the United States in general, have historically taxed income rather than wealth. Income is money earned over time such as salaries, tips, rental income, and hourly wages. Wealth is the total value of what a person owns, minus what they owe others. Wealth can include savings accounts, real estate, stocks, and personal property like vehicles, art, and jewelry. Wealth typically acts as a buffer against financial shocks like job loss or sudden illness. Wealth can also generate its own income, as when a stock pays out a dividend or a rental property produces rent. Unlike income, which is received over time, wealth represents the assets a person has accumulated.

California already taxes some forms of wealth. Property taxes, which are based on the value of real estate such as homes and commercial buildings, are a type of tax on an asset a person owns. However, property taxes apply to specific types of property and do not apply to a person's entire net worth. A wealth tax generally refers to a tax based on the total value of a person's assets after subtracting debts.

California has the largest economy in the United States and the fourth largest in the world. Each year, the state collects about $350 billion in revenue, much of it from personal income taxes. California also has the highest top state income tax rate in the country, with a rate of 13.3% for people earning more than $1 million per year. In its 2025 budget, California allocated about $87 billion for Health and Human Services programs. These programs include Medi-Cal, CalFresh, and other services that provide health care, food assistance, and additional support to millions of Californians.

In July 2025, Congress passed H.R. 1, also called the One Big Beautiful Bill Act. The law reduces federal funding for several safety net programs, with some changes taking effect immediately and others phased in over the next five years. Once the law is fully in effect, California is expected to lose about $30 billion each year in federal funding for Medi-Cal. The state and its counties are also expected to face up to $9.5 billion in new annual administrative costs required by the law.

Proposed Proposition

In response to the federal cuts to California's safety net programs, Proposition 40 would create a one-time, 5% wealth tax on individuals and trusts that own over one billion dollars ($1,000,000,000) in covered assets. Proposition 40 would amend the California Constitution to allow this one-time tax on accumulated wealth. The collected taxes would be distributed to two new funds: 90% to the Billionaire Tax Health Account and 10% to the Billionaire Tax Education and Food Assistance Account. Estimates are that the tax would raise tens of billions of dollars over 5 years. To pass, Proposition 40 requires a simple majority of voters to vote Yes.

Proposition 40 would apply to roughly 200 taxpayers that were California residents as of January 1, 2026, and have a net worth greater than $1,000,000,000 as of December 31, 2026. If passed, every California taxpayer, regardless of level of wealth, will need to declare on their 2027 California tax return whether their net assets are worth $1 billion as of December 31, 2026. Taxpayers that report net assets of $1 billion or more will then need to submit forms calculating the wealth tax owed along with appropriate appraisals and other relevant evidence of net assets.

The assets that would be counted toward determining if a taxpayer meets the $1 billion threshold under Proposition 40 include all forms of personal property and wealth including, but not limited to, shares of stocks, bonds, businesses owned by the taxpayer, art, collectibles, and intellectual property. Real property would be excluded from the net wealth calculation as it is already subject to its own property taxes. Some retirement and pension accounts would also be exempt, including Roth IRA accounts up to $10 million. Defined benefit pensions that are not otherwise exempt are included in net worth. These provisions are meant to exclude most ordinary retirement savings from a wealth tax while preventing very large Roth accounts and certain vested rights from escaping taxation.

Several provisions in Proposition 40 exist to make it less likely that taxpayers subject to the wealth tax will undervalue their assets while also giving those same taxpayers options to pay the assessed tax over time. For example, assets are to be valued at the fair market value which is the price an asset would sell at between a willing buyer and a willing seller, both having reasonable knowledge of the facts, and neither being forced to buy or sell. Publicly traded assets like stocks and bonds will be valued at the asset's market trading value as of December 31, 2026. A taxpayer is also prevented from counting some debts in their net wealth value if those debts would artificially lower their net wealth total. For example, a taxpayer's net worth is not reduced by debt that is owed to a relative, debt that was not negotiated at arm's length, and debt that does not charge the prevailing market interest rate.

The provisions are also designed to prevent individuals from reducing their reported net wealth by moving assets into trusts or otherwise transferring them before the December 31, 2026, valuation date. Generally, a grantor trust is treated as owned by the grantor, a non-grantor trust funded by an individual is treated as being owned by the person contributing to the trust, in the proportion to what they contributed, a trust with current distributable assets is treated as being owned by the beneficiary to the extent the assets are distributable. The result is that the trust assets may be counted toward more than one person‘s net worth in different contexts. Proposition 40 does not appear to provide a coordination rule to limit double counting of trust assets. Net worth shall include the value of any property the individual transferred for less than FMV after October 15, 2025, if in excess of $1M.

Valuation of business interests can be particularly complex and subject to manipulation. Proposition 40 addresses this from multiple angles. For a business entity, the value of the entity cannot be less than the valuation reflected in any funding round or other sale of equity occurring within two years of the valuation date, unless evidence is shown that this would significantly overstate the value of the entity. No asset shall be valued at less than the amount for which it is insured. For privately held ownership interests, Prop 40 provides a formula to calculate value. In all cases, the taxpayer may challenge a valuation by submitting clear and convincing evidence that applying the provisions of Prop would result in an unrealistic valuation. If a taxpayer owns voting rights or other direct control rights in a business, it is assumed the taxpayer owns at least the same % of the business as their percentage of those voting or control rights. So, if a taxpayer has a 60% voting interest in a business, even if the ownership percentage is less than 60% or not specified at all, the assumption for valuation of the asset is that the taxpayer owns at least 60% of the business.

If a taxpayer understates their assets, Proposition 40 provides for penalties ranging from $1 million to up to 40% of the imposed tax shown on the original return. This means that penalties for underpayment could be many tens of millions of dollars depending on how severely the taxpayer underestimated their assets.

Proposition 40 imposes a 5% tax on the net worth of a taxpayer once that net worth has reached $1.1 billion. For wealth between $1 billion and $1.1 billion, a graduated scale applies. If a taxpayer’s net wealth is $1.02 billion, the wealth tax rate is 1%, if net wealth is $1.04 billion, the tax rate is 2%, and so on to the full 5% at $1.1 billion. Some examples of the tax that would be imposed on various net wealth values:

Taxable net worth	Tax rate	Resulting tax (Tax rate x Taxable net worth)
$1.02 billion	1%	$10.2 million
$1.05 billion	2.5%	$26.25 million
$1.10 billion	5%	$55 million
$2 billion	5%	$100 million
$10 billion	5%	$500 million

The imposed tax could be paid upfront all at one time or over a five-year period with an annual 7.5% charge on the outstanding balance. This could be an important option particularly for those taxpayers whose net worth is largely tied up on illiquid assets, allowing those taxpayers the option to avoid a forced immediate sale of assets at a low value or causing a disruption to a company by divesting from a large portion of the stock at one time. Taxpayers that choose to pay over time must continue to pay the assessed tax even if they move out of California.

Generally, income tax is paid based on how much of the year a taxpayer spends in California. The wealth tax imposed by Proposition 40, however, states that a taxpayer owes 100% of the assessed wealth tax to California regardless of how long the California resident was out of the state during the year. There are questions as to whether this provision will be enforceable. In anticipation of such legal challenges, Proposition 40 states that if a court finds the provision unconstitutional or the taxpayer can show evidence that they did not accumulate their wealth in California and they were not a resident for 365 days in the last 48 months so the rule would be unfair to them, the traditional rule of apportionment will prevail. If a taxpayer ends up being subject to another wealth tax from another state or jurisdiction, then the taxpayer may take a partial credit against the Prop 40 wealth tax.

The stated purpose of Proposition 40 is to offset cuts to healthcare programs brought about by the passage of H.R. 1 by Congress. Proposition 40 proposes to fill gaps in California's state budget left by the federal legislation, as well as increasing coverage to those that have lost federal eligibility for Medicaid health insurance and food stamps. The funds raised from the wealth tax would go to two funds created by Proposition 40: the Billionaire Tax Health Account and the Billionaire Tax Education and Food Assistance Account. After administrative expenses are deducted, 90% of the remaining tax proceeds will go to the Billionaire Tax Health Account. This account will be used to fund health care generally, including filling budget gaps caused by the loss of federal funds. Some examples of how the funds could be used include enhancing Medi-Cal coverage for Californians, preventing the closure of health care facilities, and supporting health care providers that serve vulnerable Californians. The remaining 10% of wealth tax funds will go to the Billionaire Tax Education and Food Assistance Account to be used for education and food related assistance for Californians. Potential use of the tax could be for investing in K through grade 14 public education programs, increasing CalFresh funds, and expanding the Universal Meals Program for school meals. The legislature is able to use up to $22.5 billion from the Health Account and $2.5 billion from the Education and Food Assistance Account each year. The wealth tax funds cannot be used to replace existing funding from other state sources for these same safety net programs.

Proposition 40 contains a section stating that if this proposition passes and another statewide ballot measure that deals with a wealth tax also passes, the two measures are considered to be in conflict. In that case, if Proposition 40 receives the most "yes" votes, it takes priority and any parts of the other measure conflicting with Prop 40 are void. Two propositions on the November 2026 ballot are likely in conflict with this Prop 40. Proposition 41 makes revenue from any new state taxes subject to the state spending cap. This means that any funds over the spending cap would be returned to voters. Proposition 42 prevents new taxes on personal property that apply retroactively. Passage of Prop 42 would essentially negate Proposition 40's wealth tax.

Proposition 40 was put forth by a health care union, Service Employees International Union-United Healthcare Workers (SEIU-UHW). This union represents more than 100,000 health care workers in California. Dave Regan is the president of SEIU-UHW and the driving force behind the union's push. This union was behind three propositions relating to dialysis clinics in 2018, 2020, and 2022 and is sponsoring a second ballot measure for the November 2026 election, Proposition 44, the Clinic Funding Accountability and Transparency Act.

Fiscal Analysis

The Legislative Analyst Office (LAO) estimates that California would probably collect tens of billions of dollars from the wealth tax. This would be a temporary increase in state tax collections, spread across several years. The exact amount and timing is difficult to predict as much of the wealth is based on stock prices that are always changing. The proposition may possibly decrease state income tax revenues if billionaires respond to the wealth tax in ways that reduce their California income tax payments. Some could decide to leave California altogether and then the income taxes they pay the state would go away also. The LAO predicts that these possible departures would reduce state revenues by less than $1 billion per year. This would mean less money for the state's General Fund. The General Fund pays for most public services, including education, health care, and prisons. In addition, the state would have costs that could be in the tens of millions of dollars per year for several years to implement Proposition 40. Those costs would come from the state's efforts to determine how much wealth tax is owed and to collect the tax payments. These costs would come from the new wealth tax revenues.

Supporters Say

- The healthcare system in California is on the brink of collapse in large part due to federal cuts to healthcare imposed by the One Big Beautiful Act passed in 2025 by Congress. These cuts will result in closures of hospitals and losses of thousands of healthcare jobs.
- The federal legislation that is resulting in these cuts is also disproportionately benefiting the wealthy so they should pay their fair share to support these social services.
- There is no other solution to fill the $100 B funding gap that California is facing over the next five years.
- Wealth inequality is at its highest point in the country's history and we need to redistribute from the top 1% to the rest of the population.

Opponents Say

- The tax will undermine California's business climate and hurt the state's budget by driving critical tax dollars out of state.
- This will not be a temporary tax as it is trying to solve a problem that is permanent as federal funding dollars continue to fail to meet California's spending on health care.
- California depends heavily on wealthy taxpayers, and they are moving away because of over taxation, shrinking California's tax base and weakening the economy. (3)
- The tax is unconstitutional due to its retroactive provisions and its application to individuals that have already left the state. California taxpayers will foot the bill for the many legal battles related to this legally flawed proposition.

For More Information

Supporters:

- Service Employees International Union – United Healthcare Workers (SEIU-UHW) – yeson40.com
- Suzanne Jimenez, Chief of Staff, SEIU-United Healthcare Workers West
- Victoria Barron, Patient Access Specialist, Planned Parenthood of Pacific Southwest
- Denise Robb, Ph.D., Member of American Federation of Teachers, Local 1521 Los Angeles College Faculty Guild

Opponents:

- Californians to Protect Funding for Schools, Healthcare and Public Safety - VoteNoOn40.org
- René Bravo, M.D., President, California Medical Association
- Francisco Silva, CEO, California Primary Care Association
- Dr. Debra Schade, President, California School Boards Association

Spending in Support/Opposition

As of September 1, 2026:

In Support:

- $31,410,017 spent
    - Service Employees International Union-United Healthcare Workers West: $29,055,511

In Opposition:

- $11,210,205 spent
    - Chris Larsen: $5,000,000
    - Ripple Labs: $5,000,000
    - California Business Roundtable Issues PAC: $450,000
    - California Business Roundtable: $220,000

Find more at the CA Secretary of State Independent Expenditure Website powersearch.sos.ca.gov

Choosing Yes or No

A “yes” vote means that California will impose a 5% tax on wealth of taxpayers with net worth above $1 billion and the resulting taxes will go toward healthcare, education, and food assistance programs benefitting Californians.

A “no” vote means that no wealth tax will be imposed on taxpayers.

Sources

- 2026 Billionaires' Wealth Tax. oag.ca.gov/system/files/initiatives/pdfs/25-0024A1%20%28Billionaire%20Tax%20%29.pdf
- CalMatters. calmatters.org/politics/2026/06/california-unions-billionaire-tax-ballot/
- Pew Research www.pewresearch.org/decoded/2021/07/23/whats-the-difference-between-income-and-wealth-and-other-common-questions-about-economic-concepts/
- The Globalist www.theglobalist.com/united-states-california-economy-secession/
- California Budget Center calbudgetcenter.org/resources/first-look-understanding-the-governors-2026-27-may-revision/?utm_source=chatgpt.com
- California State Association of Counties www.counties.org/hr1/?utm_source=chatgpt.com

Proposition 41 – Spending Limits and Audits for New Special Taxes

Initiative Constitutional Amendment

The Question

Should all special taxes passed after Jan 1, 2026, be included in California's mandated spending limits? And, should voter initiatives proposing new special taxes be audited before they are put before the voters?

The Situation

State Spending Limits Article XIII B of the California Constitution established a state spending cap in 1979 through Proposition 4, also known as the Gann Limit, named after a co-author. The State Appropriation Limit (SAL) is based on a formula that includes the prior year's appropriations and factors such as population growth, personal income growth, and inflation. Excess revenue would be rebated to taxpayers. Proposition 4 also limited the amount of revenue that state and local governments could appropriate each year. Excess state revenue would be rebated to voters. Proposition 98 (1988) amended the Gann Act, tying a portion of any excess revenue to school funding. Proposition 111 (1990) reset the formula's baseline and added special taxes to the list of taxes excluded from the government spending limit. Examples of funding not included in state spending limits:

- Debt service on qualifying bonds
- Spending required by court or federal mandates
- Spending by certain small special districts

Included in the exemptions from the state spending limit are several tax-specific carve-outs added later by voters:

- Tobacco tax funds (Prop 10, 1998),
- Prop 99/56 tobacco tax funds,
- Road Repair Act funds (Prop 69, 2018), and the
- Children and Families Trust Fund (1998). Capital outlay (infrastructure) projects.
- A slice of the gas tax, related revenue, and emergency spending are also exempt from the SAL.

Special Tax

A special tax is a tax levied on a specific good, such as tobacco or fuel, or an activity, such as waste disposal or energy use, to raise revenue for a specific state program.

Special taxes can be raised by the Legislature, by a two-thirds vote, or by voters with a majority vote.

Audits

Audits are performed by the California State Auditor (CSA). Audits are triggered by statute or by request of a Legislator. There is currently no mechanism that would trigger an audit of a ballot measure that has qualified to gather signatures or of a special tax.

The Bureau of State Audits (BSA) performs mandated and discretionary audits of state and local governments at the direction of the legislature.

- **Mandated audits** are required by statute, such as the state's annual financial audit (Government Code Section 8546.3) and audits required in an annual budget bill and trailer bills. Mandated audits are the highest priority for the Bureau of State Audits.
- **Discretionary audits** are performance and financial audits requested by members of the Legislature. Performance audits are an independent, objective assessment by the BSA of a government organization, program, activity, or function to provide information that improves public accountability and decision-making. Financial audits assess whether financial information is presented in accordance with established criteria, whether the entity has adhered to specific financial compliance requirements, and whether internal controls for financial reporting or asset safeguarding are sufficient. Both performance and financial audits can address compliance issues, including whether an entity or program is complying with applicable laws and regulations.

Approximately one-third of the BSA's time is consumed by mandated audits.

Approximately thirty to thirty-five discretionary audits are performed per year, depending on complexity.

Proposed Proposition

Proposal: Improving Transparency, Effectiveness, and Efficiency in California Government Act of 2026.

1) Pre-election Audits Before Special Taxes Appear on Ballot Through Initiative Process.

The measure would require the State Auditor to conduct a financial and performance audit of proposed citizen initiatives that contain a special taxes once proponents notify the Secretary of State that 25 percent of the necessary voter signatures to qualify the initiative for the ballot have been collected. The measure would require these audits to:

- (1) evaluate each program that would receive funding from the special tax contained in the proposed initiative and
- (2) address specific issues identified by the measure including assessing the efficiency of the program and recommending how the audited program could reduce its annual costs by 10 percent.
- Would require the State Auditor to produce an executive summary of the audit. If the initiative qualifies for the ballot, the measure would require this executive summary to be included in the Voter Information Guide (VIG) produced by the Secretary of State.
- If approved by the voters, the measure would require the State Auditor to be reimbursed from the revenues generated by the special tax.

2) Recurring Audits of Programs Receiving Funds From Future Special Taxes.

- The measure would require the State Auditor to conduct recurring financial and performance audits every four years of programs funded by special taxes created or increased by the Legislature or by voters after January 1, 2026.
- In addition to the issues that would be required of the one-time audits previously described, the measure would require the audits to include the State Auditor's recommendations to improve program efficiency.
- The State Auditor would be required to solicit public input while preparing the audits. Under the measure,
- "The State Auditor's costs to conduct a recurring audit would be reimbursed from the revenues generated by the special tax. " *LAO* *Initiative Analyses*

(Note: The state auditors costs would be reimbursed from the general fund if the measure does not ultimately qualify for the ballot or is rejected by the voters.)

3) Prohibits exemptions from the Government Spending Limit

- No state special tax taking effect after January 1, 2026, shall be excluded from Government Spending limits.
- The State shall not collect or impose any taxes enacted after January 1, 2026 that are exempted or excluded from the Government Spending Limit.

Conflicting Measures: Props 40,41,42

Prop 40, The Billionaire Tax Act 2026, would be a special tax held in a reserve fund. If Prop 41 passes, with more votes than Prop 40, it could nullify Prop 40. This holds true for Prop 42 also.

If Proposition 42, passes, it would disallow special taxes on personal property except those in force before December 25, 2025.

It appears that if all 3 propositions or 2 of the measures get a majority of the votes, the Prop with the most votes will go into effect. If Prop 41 and Prop 42 pass, they could both become law.

There is yet another tax measure on the ballot, Prop 3, which would make permanent a provision to raise marginal income tax rates on higher earnings that is currently due to sunset in 2030.

Fiscal Effects

Higher Costs to Print and Mail VIG. When a ballot measure contains a special tax, the measure would require the VIG to include the State Auditor's executive summary. This could add several pages to the VIG and increase state printing and mailing costs by a few hundred thousand dollars per qualified initiative.

Reimbursement Costs to State Auditor When Proposed Initiatives Fail. If an initiative containing a special tax were approved by voters, the revenues from the special tax would be used to reimburse the State Auditor for costs incurred related to the one-time and ongoing audits required under the measure.
If such an initiative were rejected by voters or received 25 percent of required signatures but ultimately did not qualify for the ballot, the state General Fund would pay the cost of the one-time audit, likely varying case by case, but totaling in the range of the low millions of dollars for each two-year election cycle.

Possible Effects if Auditor Recommendations Are Implemented. To the extent that programs were to adopt the State Auditor's recommendations in an audit, the measure could result in savings or improved services at existing funding levels. The degree to which this would occur depends on future decisions and are not known.

Net Effect Not Known. The net fiscal effect of Proposition 41 is unknown as it depends on future decisions by voters, the Legislature, and other policymakers.

Supporters Say

- Californians deserve better results for our taxes. Billions have flowed into programs like homelessness, with little to show for it . Prop 41 requires the independent State Auditor to conduct public audits of programs funded by new taxes so we get more transparency,more accountability and better outcomes for taxpayers.

Opponents Say

- Prop 41 is not really about audits-it's a billionaire funded trick to undo the California Billionaire Tax. Billionaires would rather millions of Californians lose their healthcare than pay a modest tax on their extreme wealth. Don't fall for billionaires' lies. Vote no on Prop 41.

For More Information

Supporters:

- Yes on 41-Californians for Transparency and Accountability, A Coalition of Small Businesses, Taxpayers, Good Government Advocates, Accountants, and Auditing Experts – YesonProp41.org
- Denise LeDuc Froemming, CPA, President, California Society of Certified Public Accountants (CalCPAs)
- Tom Hayes, Fmr. California State Auditor,
- Robert Gutierrez, President, California Taxpayers Association (CalTax)

Opponents:

- Service Employees International Union – United Healthcare Workers (SEIU-UHW)- yeson40.com
- Suzanne Jimenez, Chief of Staff, SEIU-United Healthcare Workers West

Spending in Support/Opposition

Supporters: $58,271,807.92 (9/09/2026)
Opponents: $31,426,982.2 (9/09/2026)
Top 10 Contributors
CAlAccess

Choosing Yes or No

*A **YES** vote on this measure means:* When special taxes are proposed by voter initiatives, the California State Auditor would review programs funded by the tax as soon as proponents have gathered 25% of the required signatures, before the initiative qualifies for the ballot. The California State Auditor also would regularly review programs funded by special taxes approved by voters or the Legislature. In addition, the state must include any new special tax spending in the State spending limit.

*A **NO** vote on this measure means*: The California State Auditor's responsibility to review government programs would not change. New special tax revenue would not need to be included in the State spending limit.

Sources

- *LAO Initiative Analysis*
- *Secretary of State, Prop 41*
- *California Voter Information Guide, Prop 41*
- *Digital Democracy | CalMatters*
- *Institute of Governmental Studies*
- Wall Street Journal, "Sergey Brin-Backed Group Tries to Undercut California's Billionaire Tax Proposal," February 17, 2026
- California State Assembly Joint Committee on Legislative Audits, Audits 101
- Article XIII B of the California Constitution
- Ballotpedia
- YesonProp41.org

Proposition 42 – Limits New State Taxes on Personal Property

Initiative Constitutional Amendment

The Question

Should personal financial assets and retirement savings be protected from new or retroactive state taxes?

The Situation

Personal financial assets are not taxed. The mere ownership or control of an asset is not currently taxed. Retirement fund distributions are taxed as regular income, with exceptions such as Roth IRA distributions, which are not taxed. Social Security is NOT taxed.

Personal Property (CIV §14), as legally defined by the State, includes everything an individual owns, including personal financial assets, business interests, retirement accounts, jewelry, boats, and cars. Some *Personal Property is taxed; e.g.,* cars and trucks(state) or boats and business equipment (local). There is currently no prohibition against taxing *Personal Property*.

Proposition 42 is an Initiative Constitutional amendment put on the November 2026 ballot by Building a Better California.

Proposed Proposition

Prop 42 will prohibit any future provisions that would authorize new taxes on personal property to be added to the State constitution on or after January 1, 2026 (including other measures on the November 2026 ballot). The prohibition on new taxes includes the ownership of retirement savings, personal assets, investments, and other financial assets; assets used to collect or produce income for retirement or financial planning; and assets held directly by an individual or indirectly through Trusts or Investment vehicles. The measure is intended to protect the assets previously held and any interest generated by the assets from future taxation.

The measure also includes a provision prohibiting the retroactive application of taxes to periods before the measure's effective date.

Taxes in effect before December 31, 2025, are unaffected by this measure.

California distinguishes between Personal Property and Real Property. Real Property, or Real Estate, includes the land and anything affixed to the land. Real Property is excluded from this measure.

Personal Property is defined as: *"Every kind of property that is not real."* (*CVI* §14) *There are two types of personal property: (1) tangible (e.g., furniture, vehicles, etc.) and (2) intangible personal property (e.g., stocks, bonds, intellectual property, etc).*

Examples of assets that are included in the prohibition from future taxation or retroactive taxes are:

- Pensions, including defined benefit plans and private pensions
- 401's, 403b's and other retirement account vehicles such as IRA's.
- Mutual Funds and other investment vehicles, whether part of retirement planning or not
- Assets held directly by an individual or indirectly through Trusts and Investment vehicles.
- Financial Assets: Stocks and Bonds
- Business Interests: LLC's and S-Corp Shares
- Bitcoin and Non-Fungible Tokens (NFT's)
- Intellectual Property- patents and copyrights

Conflicting Proposition

Prop 40, The Billionaire Tax Act 2026, would be a special tax held in a reserve fund. If Prop 41 passes, with more votes than Prop 40, it could nullify Prop 40. This holds true for Prop 42 also.

If Proposition 42, passes, it would disallow special taxes on personal property except those in force before December 25, 2025.

It appears that if all 3 propositions or 2 of the measures get a majority of the votes, the Prop with the most votes will go into effect. If Prop 41 and Prop 42 pass, they could both become law.

Fiscal Analysis

BACKGROUND

Certain Personal Property Is Taxed in California. Both the state and local governments tax owners of certain personal property based on the property's value. Personal property is all the things that people own other than real estate. For example, the state taxes owners of cars and trucks. Similarly, local governments tax owners of boats and business equipment.

Financial Assets Are Not Taxed. Many types of personal property are not taxed. One major type of personal property that is not taxed is financial assets like stocks.

PROPOSAL

No New Taxes on Financial Assets or Other Personal Property. New taxes on the ownership of financial assets or other personal property would not be allowed.

Limits Retroactive Taxes. The measure limits the situations in which a ballot measure or the Legislature can raise a tax retroactively. A retroactive tax is one that applies to things that happened in the past. An example is a tax on money someone earned two years ago.

FISCAL EFFECT

Possibility That Tax Revenues Will Be Lower in the Future. The measure restricts the options the state government has to raise taxes in the future. This could make it somewhat harder for them to raise taxes. This could reduce future tax revenues. When and by how much future revenues would be reduced is unclear.

Summary of Major Fiscal Effects. This measure would have the following major fiscal effects:

- Possibility that tax revenues will be lower in the future
- Takes away options for the state government to raise revenue.

Supporters Say

- Californians already pay the highest taxes.
- A fiscally strapped Legislature is always looking for new revenue streams and retirement savings could be next.
- Retroactive taxes are unfair to people who are planning their budgets and making decisions based on ‘rules at the time’.
- The tax on “net worth” in the Billionaires Act could be expanded over time to reach taxpayers who are not billionaires.

Opponents Say

- Intended to blunt the impact of Proposition 40, the Billionaire Tax Act, by prohibiting new taxes on personal property including retirement accounts and savings.
- Voters for the Billionaire's Tax Act may not realize that only one can win and that a vote for Proposition 40 and 41 won't grant them 2 wishes.
- May be eager for the prohibition against new taxes even though retirement instruments are excluded from the Billionaire's Tax Act. A non-existent threat to stir up voters
- The measure will constrain action by the legislature during fiscal emergencies, except for the narrowly defined emergencies the Governor may declare.

For More Information

Supporters:

- Protect Retirement and Life Savings, a coalition of retirees, blue-collar workers, seniors, veterans, small business and taxpayers - YesonProp42.org
- Michael Hedges, President, California Small Business Association
- Shelley Huff, Commander, AMVETS, Department of California
- Jennifer Yoder, Board Member, California Senior Alliance

Opponents:

- Service Employees International Union – United Healthcare Workers (SEIU-UHW)- yeson40.com
- Suzanne Jimenez, Chief of Staff, SEIU-United Healthcare Workers West

Spending in Support/Opposition

Top 10 Contributors

Cal Access

- Supporters: $64,272,537.26 (9/09/2026)
- Opponents:$31,426,982.26 (9/09/2026)

Choosing Yes or No

A "yes" vote means:

- No new special taxes on personal property or personal financial assets would be allowed.
- The ability of the Legislature or the voters to raise any tax retroactively would be restricted.

A "no" vote means:

- There will be no changes to the way personal property is taxed
- The Legislature or the voter initiatives may raise taxes.

Sources

- SF Standard – California's billionaire tax war is officially on
- Catalyst CPA – California Retirement Savings Protection Act 2026 Guide
- Ballotpedia Proposition 42
- Legislative Analyst's office (LAO)
- Cal Matters
- Secretary of State, California, Ballot Initiatives
- LAO analysis

Proposition 43 – Two-Thirds Vote for Certain Local Taxes

Legislative Constitutional Amendment

The Question

Should California require voter-sponsored local special taxes to receive two-thirds voter approval instead of a simple majority vote?

The Current Situation

Local Special Taxes
California law distinguishes between **general taxes** and **special taxes**.

- A **general tax** may be used for any governmental purpose.
- A **special tax** must be used for a specific purpose, such as transportation improvements, schools, libraries, public safety, parks, or affordable housing.

Under existing law, when a local government places a special tax measure on the ballot, it generally must receive **two-thirds voter approval**. However, court decisions have held that special tax measures placed on the ballot through the local initiative process may be approved by a **simple majority vote** rather than two-thirds. Prop 43 would amend the California Constitution to require a two-thirds vote regardless of whether a special tax measure is proposed by a governing body or through the initiative process.

Property Taxes
California's Constitution, including Proposition 13 (1978), limits property taxes and requires voter approval for certain local taxes. Prop 43 would prohibit local governments and local voters from creating new property taxes based on property value through the initiative process, except where otherwise authorized by the Constitution.

Proposed Proposition

This constitutional amendment would:

1. Beginning January 1, 2027, require a two-thirds vote to impose, increase, or extend a local special tax, regardless of whether the tax measure is placed on the ballot by a local government or through the local initiative process.
2. Prohibit voting citizens from creating new property taxes based on property value through the initiative process, except where otherwise authorized by the California Constitution.

June 25, 2026: The Legislature approved the amendment with strong bipartisan support. It passed the Assembly 68-2 and the Senate 35-1.

Fiscal Analysis

According to the LAO, Prop 43 could result in lower local government tax revenues in the future because certain voter-sponsored special taxes would face a higher approval threshold. The actual revenue impact is unknown and would depend on future tax proposals and voter decisions.

Supporters Say

- Court decisions weakened Proposition 13's original voter-approval requirements, and Proposition 43 restores those protections.
- Special taxes should meet the same voter-approval standard regardless of who places the measure on the ballot.
- A two-thirds vote requirement helps ensure broad public support before taxes are imposed or increased.
- The measure closes what supporters view as a loophole created by court decisions that allowed some local tax initiatives to pass with only a simple majority.

Opponents Say

- Prop 43 would make it harder to fund local projects and services like schools, roads, public safety, libraries, and housing.
- A minority of voters could block tax measures supported by a majority of voters.
- Local communities should be able to approve tax measures through a simple majority vote.

For More Information

Supporters:
- Howard Jarvis Taxpayers Association – YESon43.com
- Robert Gutierrez, President, California Taxpayers Association
- Robert Rivinius, President, Family Business Association of California
- Julian Canete, President, California Hispanic Chambers of Commerce

Opponents:
- No on Prop. 43 - Noprop43CA.com
- Darrell Roberts, President, California Professional Firefighters

- Chris Harkins, Executive Director, Nurse Alliance of SEIU California
- Adam Weinberger, President, California School Employees Association

Spending in Support/Opposition

Top funders in support:
Cal Access - Prop 43: [Cal Access - Prop 43]

In Support as of 9/10/26 - $14.6M total; top 5 contributors listed below

California Business Roundtable Issues PAC	$9,850,000
Protect Prop.13, a project of the Howard Jarvis Taxpayers Association	1,514,217
Kilroy Realty, LP	1,000,000
Douglas Emmet Properties, LP and affiliated entities	1,000,000
1800 Capital, Inc. (Formerly ACE Beverage Group, Inc.)	500,000

In Opposition as of 9/10/26 - $1.6M total; top 3 contributors listed below

SEIU California State Council for Working People	$500,000
Western States Regional Council of Carpenters Issues Committee	500,000
California Professional Firefighters Ballot Issues Committee	250,000

Choosing Yes or No

A "**yes**" vote means certain voter-sponsored local special taxes would require two-thirds voter approval instead of a simple majority vote.

A "**no**" vote means certain voter-sponsored local special taxes could continue to be approved by a simple majority vote under existing court decisions.

Sources

1. BALLOTPEDIA https://ballotpedia.org/California_Proposition_43,_Two-Thirds_Vote_Requirement_for_Local_Special_Tax_Initiatives_and_Property_Tax_Initiative_Prohibition_Amendment_(2026)

2. ORANGE COUNTY REGISTER https://www.ocregister.com/2026/07/02/what-is-proposition-43-before-california-voters-in-the-2026-election/

3. CalMatters https://calmatters.org/politics/2026/06/california-ballot-measures-november-election/
Ballot Measures
https://elections.cdn.sos.ca.gov/ballot-measures/pdf/aca-22.pdf

Proposition 44 – 90% Health Care Spending for Nonprofit Safety-Net Clinics

Initiative Statute

The Question

Should California require that Federally Qualified Health Care Centers spend at least 90% of their annual revenue on expenses that directly advance the health center's mission?

The Situation

Federally Qualified Health Centers (FQHCs), commonly called community health clinics or safety-net clinics, receive federal funds to provide prevention and primary care in underserved communities. According to the LAO, there are about 2000 safety-net clinics in California; many are nonprofit corporations while some are operated by public entities, such as counties. These clinics are funded through a combination of Medi-Cal reimbursements, federal grants, private insurance, local grants and donations, and direct patient payments. (1)

FQHCs that have nonprofit status are required to file annual reports with the Internal Revenue Service (IRS) and the state Attorney General. These reports disclose the clinic's revenue, sources of funding, and expenditures. Clinics also report the portion of their total expenses that directly support their mission of providing primary care services to underserved groups, as distinct from their management, administrative and fundraising expenses. (2)

Proposed Proposition

The initiative would require FQHCs in California to spend at least 90% of their annual revenue on programs that directly advance their mission of providing primary health care to medically underserved populations. The measure would establish a "Mission Spend Ratio," defined as the amount spent on mission-related activities divided by the clinic's total annual revenue. The California Attorney General would be responsible for defining which expenses qualify as mission-related and would calculate each clinic's Mission Spend Ratio based on financial information reported by the clinic.

The Attorney General would provide these calculations to the California Department of Public Health (CDPH), which would be responsible for enforcing the measure. Clinics that fail to meet the 90 percent threshold would be subject to financial penalties.

Penalty revenues would be deposited into a newly created Mission Spend Ratio Penalty Account within the state's Special Deposit Fund. The Legislature would be authorized to appropriate these funds for clinical workforce training, recruitment, and retention programs.

The penalty would generally equal the difference between 90 percent of the clinic's annual revenue and the amount spent on mission-related activities. A clinic could recover a portion of the penalty if it demonstrates that it has become compliant and submits a state-approved plan to use the returned funds for mission-related purposes.

If a clinic remains out of compliance for five years, any remaining penalty funds would be used for workforce development programs. The measure also allows clinics to seek exemptions under certain circumstances and authorizes criminal penalties for fraudulent reporting or schemes intended to artificially inflate a clinic's Mission Spend Ratio.

Fiscal Analysis

The Legislative Analyst’s Office estimates that implementation and enforcement of the initiative would cost the state up to the low tens of millions of dollars annually. However, much of these costs could potentially be offset through fees charged to affected clinics.

The LAO also notes that the measure could have broader fiscal consequences. Available tax-filing data suggest that many FQHCs currently spend less than 90 percent of their annual revenue on expenses that would likely qualify as mission-related. The number of clinics that would ultimately be affected depends largely on how the Attorney General defines eligible expenses.

Clinics that fail to meet the requirement could respond in several ways, each with different fiscal implications. Some clinics may increase spending on patient services, which could increase Medi-Cal expenditures. Others could reduce services or potentially close if they are unable to comply, shifting patients to publicly operated safety-net providers such as hospital emergency departments.

As a result, the overall fiscal impact on state and local governments is uncertain and could range from limited to substantial.

Supporters Say

Supporters contend that some community clinics devote excessive resources to administration, executive compensation, consulting contracts, and other overhead expenses rather than direct patient care. They describe the initiative as an accountability measure designed to ensure that public healthcare funding is used primarily for healthcare services.

Supporters generally argue that:

- Taxpayer-funded clinics should prioritize patient care over administrative spending.
- Excessive executive compensation and overhead reduce healthcare access.
- Prop 44 will increase transparency by requiring clinics to publicly report how healthcare dollars are spent.

Opponents Say

Opponents argue that the initiative relies on an overly narrow definition of program services and may exclude many legitimate healthcare-related operating expenses. They contend that many costs commonly classified as administrative overhead are essential components of healthcare delivery.

Their main arguments include:

- Community clinics are already heavily regulated by federal and state governments with strict funding rules.
- Prop 44 would force hundreds of clinics to cut services or shut down.
- Prop 44 could unintentionally increase overall healthcare costs by shifting patients into emergency rooms and hospitals.

For More Information

Supporters:

- Service Employees International Union – United Healthcare Workers (SEIU-UHW) - yesonproposition44.com
- Shawna Brown, Initiative Proponent
- Brisa J. Barrera, Community Clinic Worker

Opponents:

- No on Prop. 44—Stop the Attack on Patients and Community Health Clinics - NoProp44.com
- Eric Ball, MD, FAAP, President, American Academy of Pediatrics, California
- Katie Nilsson, RN, President, California School Nurses Organization
- René Bravo, M.D., President, California Medical Association

Spending in Support/Opposition

In support: total raised as of September 9, 2026 $16,929,634.
Top contributor: SEIU United Health Care Workers West Political Issues Committee

In opposition: Total raised as of September 9, 2026 = $37,344,162.
Top contributors include: Altamend Health Services Corporation; California Primary Care Association Advocates Action Committee; Wellspace Health; Family Health Centers of San Diego

powersearch.sos.ca.gov/
www.fppc.ca.gov/search-filings/top-10-contributors-list/november-2026-general-election/

Choosing Yes or No

A "yes" vote means you support requiring that Federally Qualified Health Care Centers spend at least 90% of their annual revenue on expenses that directly advance the health center's mission.

A "no" vote means you are opposed to requiring that Federally Qualified Health Care Centers spend at least 90% of their annual revenue on expenses that directly advance the health center's mission.

Sources

1. KFF https://www.kff.org/medicaid/community-health-center-financing-the-role-of-medicaid-and-section-330-grant-funding-explained/#db4f7e6e-24bb-4d0d-b731-33dcf264a420

2. LAO https://lao.ca.gov/BallotAnalysis/Initiative/2025-008

3. Cal Matters https://calmatters.org/politics/2026/04/healthcare-workers-clinics-ballot-measure/

Ballot Measures.
https://oag.ca.gov/system/files/initiatives/pdfs/25-0008A1%20%28%26quot%3BClinic%20Funding%20Accountability%20and%20Transparency%20Act%26quot%3B%29.pdf

Proposition 45 – Changes Environmental Review for Certain Projects

Initiative Statute

The Question

Should California modify environmental review and court challenge procedures for certain projects by establishing new review timelines, permit deadlines, and judicial review requirements for projects defined as “essential”?

The Situation

California faces a significant shortage of affordable housing, with home prices and rents among the highest in the nation. This shortage affects many groups, including families with low to middle incomes, students, veterans, farmworkers, and people experiencing homelessness.

Before a new construction project—such as a housing development, a water treatment plant, or a clean energy facility—can be built in California, it must be reviewed under two main state laws: the **California Environmental Quality Act (CEQA)** and the **Permit Streamlining Act (PSA)**.

A. **CEQA (Environmental Review):** Passed in 1970, CEQA requires state and local government agencies (“agency”, “agencies”) to study and disclose how a proposed construction project might impact the environment (such as air quality, water, traffic or wildlife) before they issue an environmental approval (“project approval” or “approval”). If a project is expected to have significant environmental impacts, a detailed study called an **Environmental Impact Report (EIR)** must be prepared by the entity proposing construction to identify feasible mitigation measures to reduce the project's impacts. Under current law, CEQA environmental review is flexible, allowing agencies to determine timelines, the scope of analysis, and how to incorporate public input based on the project's complexity.

B. **Recent CEQA Legislative Changes:** In 2025, the Legislature enacted AB 130, which expanded CEQA exemptions and streamlined review for housing projects near public transit, infill residential housing projects in urbanized areas, and certain other developments. As a result, some housing developments already face fewer CEQA requirements than under prior law. Prop 45 would apply more broadly to projects defined as "essential", as discussed later, and would establish additional statewide timelines, permit procedures, and judicial review requirements.

C. **PSA (Permitting):** Enacted in 1977, the Permit Streamlining Act sets time limits for agencies to issue development permits required for construction. However, under current law, these permits cannot be officially issued until the entire CEQA environmental review process is finished. When environmental approvals involve multiple agencies, permit decisions are often made sequentially, which can extend the overall project timeline.

D. **Judicial Challenge:** Under existing laws, individuals, organizations, or agencies may challenge a project's approval in court, arguing that the environmental impacts were not properly studied. Because there are currently <u>no fixed time limits</u> for courts to resolve these legal challenges, construction can be delayed for years during litigation.

Proposed Proposition

The "Building an Affordable California Act" initiative seeks to modernize and expedite the project approval process and define durations for environmental review and judicial resolution specifically for what the initiative defines as "essential projects" only. "Essential projects" include the following:

- **Housing:** Residential units, mixed-use developments, and housing for agricultural workers or older adult populations.
- **Clean Energy:** Projects for renewable electricity, carbon capture, or clean hydrogen.
- **Water Infrastructure:** Systems for clean drinking water and water resilience, excluding Delta conveyance facilities.
- **Public Health & Safety:** Medical treatment facilities excluding jails or prisons.
- **Other Infrastructure:** Wildfire prevention and resilience, public schools and educational facilities, broadband and telecommunications infrastructure, and transportation projects including road, bridge and transit, but excluding high-speed rail.

Summary of Key Changes:
This initiative uses a combination of fixed timelines, narrower environmental analysis requirements, and limits on legal review to create a more predictable and time-bound environmental and permit approval process for "essential projects". Longer agency deadlines are measured in business days (excluding weekends and holidays). In contrast, public comment and legal timelines are measured in calendar days; the overall structure may appear to compress the process while still providing agencies with more time to work than the stated deadlines suggest. NOTE: Eligible project applicants could choose to use the new procedures or continue using existing review procedures.

A. Environmental Review (CEQA) – Summary
The measure would establish fixed timelines for each stage of review, limit the scope of analysis, narrow the range of alternatives that must be considered, and standardize public comment periods. It also introduces a structured scoping process and limits the information that may be included in the administrative record, both of which could reduce the time and breadth of environmental review.

B. Permit Streamlining Act (PSA) – Summary
The measure links permit decisions more directly to the environmental review timeline and requires agencies to act within fixed deadlines. If agencies miss those deadlines, applicants can require a final decision within a defined timeframe, limiting agencies' ability to delay projects while additional review or negotiation occurs.

C. Judicial Review – Summary
The measure establishes strict deadlines for courts to resolve challenges, including appeals, and limits the types of legal claims and remedies available. Courts would generally be required to rely on existing legal standards and may have less ability to halt or overturn entire project environmental approvals, which could lead to faster resolution but narrower grounds for review.

Proposed Changes Detailed
The following table summarizes the major differences between current law and the proposed measure, focusing on how timelines, environmental review requirements, and legal processes would change for projects defined as "essential." Key words and phrases are underlined for ease of identification.

Note:
Calendar days (includes weekends and holidays)
Business days (excludes weekends and state holidays)

Category	Current Law (CEQA & related statutes)	Prop 45
	ENVIRONMENTAL REVIEW PROCESS (CEQA)	
1. Application Complete determination by agency	No uniform statutory deadline; varies by agency	30 calendar days to determine completeness; if missed by agency, application is automatically deemed complete

Category	Current Law (CEQA & related statutes)	Prop 45
2. Agency Determination of Review Path (EIR, ND, MND or other status)	No fixed statewide deadline; agency determines appropriate path based on project	30 business days from application deemed complete (~42 calendar days / 6 weeks)
3. Agency Determination on Project Exemption, previous evaluation or addendum status	No fixed statewide deadline; agencies determine whether a project qualifies for an exemption, addendum, or prior environmental analysis based on project characteristics.	90 business days from application deemed complete (~126 calendar days / 4 mos)
4. Agency Determination on Adopting ND/MND (Negative Declaration /Mitigated Negative Declaration)	No fixed statewide cap; timelines vary	180 business days from application deemed complete (~250 calendar days / 8-8.5 mos)
5. Agency Determination on Certifying EIR (Environmental Impact Report)	No fixed statewide cap; often exceeds 1–2 years	365 business days from application deemed complete (~510–520 calendar days / 16.5 – 17 mos)
6. Public Comment Period – ND / MND	20 calendar days minimum; often 30 calendar days if State Clearinghouse review applies	20 calendar days fixed
7. Public Comment Period – EIR	30–60 calendar days; typically, 45 calendar days when state review is involved	45 calendar days fixed
8. Administrative Record inclusions	Very broad and inclusive; can include late public comments, informal communication, other materials that may not meet timing and submission rules.	Public comments submitted within specified timelines and formats, generally before public hearings.
9. Preliminary Scoping Process	Optional scoping process for projects requiring EIR; formal scoping meetings may be required. Processes are open and collaborative; often without defined timelines.	Voluntary; however, must be completed within 60 calendar days of applicant's notice to agency.
10. Environmental Impact - Alternatives	Must evaluate a range of reasonable alternatives	Limited to proposed project, one applicant-selected alternative, and a "no project" alternative
11. Consulting Tribes	When required, California Native American tribes (defined) and/or federally recognized Indian tribes are consulted.	Where existing CEQA law uses "California Native American tribes," it is replaced with federally recognized

Category	Current Law (CEQA & related statutes)	Prop 45
		Indian tribes (only) for essential projects.
12. Missed deadlines by agency	No automatic consequence; delays common	Applicant may trigger a hearing; agency must decide within 60 calendar days of hearing request whether to approve or deny environmental review.
PERMIT STREAMLINING ACT		
13. Permit Timing (PSA)	Permit decisions generally occur after environmental review is completed, and agencies may extend timelines.	Permit decisions are tied to fixed environmental review timelines and must be issued within defined deadlines.
LEGAL CHALLENGES AND JUDICIAL REMEDIES		
14. Legal Challenges	Legal challenges may address both procedural and substantive issues, including whether environmental impacts were properly analyzed and disclosed.	Based on violations of clearly defined, existing legal standards or laws.
15. Judicial Review of Project Approval	No fixed deadline; cases often take years	Courts must resolve within 270 calendar days including appeals, with one 90-day extension upon approval of both parties
16. Court remedies	Courts may halt or require full re-review of project	Remedies may be limited to project component, phase or activity; less able to delay or stop full project.
17. Vesting of applicable laws	Projects are subject to evolving standards and new laws taking effect during review period.	Laws fixed at time of preliminary scoping or application submission date.

Initiator: The California Chamber of Commerce.

Related Legislation

California's 2026 Housing Strategy: Funding and Reform

Proposition 1 - The Veterans and Affordable Housing Bond Act of 2026
Proposition 37 - The California Middle-Class Homeownership and Family Home Construction Act of 2026
Proposition 45 - The Building an Affordable California Act

The November 2026 ballot presents voters with a multi-layered approach to the state's housing shortage. While they share the goal of increasing housing availability, they function as different "tools" in the toolkit: Props 1 and 37 provide financing for different income levels. At the same time, Prop 45 seeks to reform the regulatory process to ensure those projects are built faster.

1. The Funding Mechanisms: Prop 1 & Prop 37
These two bond measures are complementary, as they target different populations, provide for different housing types, and use different financial structures:

Target Populations: Prop 1 focuses on providing a mix of subsidized rental housing and homeownership assistance for families with low incomes, farm workers, students, veterans, and individuals experiencing homelessness, to name a few. Prop 37 assists moderate-income households (up to 200% of Area Median Income) who earn too much for traditional assistance programs yet are still priced out of homeownership.

Project Scope: Prop 1 funds both construction of new housing (rental and permanent) and the preservation and rehabilitation of existing affordable housing. Prop 37 is strictly limited to newly constructed homes to incentivize an increase in total housing supply.

Financial Impact: Prop 1 uses General Obligation bonds, which are repaid by the state and its taxpayers via the General Fund (though the veterans' portion is intended to be repaid through their mortgage payments). Prop 37 uses Revenue bonds, which are intended to be self-sustaining and repaid solely by the participating homeowners, carrying no direct cost to the state budget.

2. Removing The Regulatory "Roadblock": Prop 45

While Props 1 and 37 provide the "fuel" (funding), Prop 45 aims to "clear the road" by addressing the environmental, permitting, and litigation delays that supporters claim make housing too expensive to build. Prop 45 establishes strict, mandatory time limits for environmental reviews (CEQA) and permit approvals (PSA) for "essential projects," which explicitly includes the housing types funded by Props 1 and 37. Prop 45 also requires courts to resolve legal challenges to essential projects within mandatory time limits to prevent years of construction delays.

Furthermore, supporters argue that reducing review times will lower project costs and increase housing production. Critics contend that environmental review is only one of many factors affecting housing affordability and that reducing review requirements may not significantly affect home prices or rents.

Voter Perspective
While these measures could appear complementary (in the interest of expanding access to more affordable housing in California), critics express concern that placing several complex housing initiatives on a single ballot may cause voter confusion or dilute support for individual measures.

Fiscal Analysis

The Legislative Analyst's Office (LAO) estimates the following fiscal impacts:

- **Initial Costs:** Likely in the high tens of millions of dollars annually, potentially exceeding $100 million for the first several years to develop new standards, meet tighter timelines, and defend the new process against legal challenges.
- **Long-Term Uncertainty:** Longer-term fiscal effects are uncertain and depend on whether the measure results in more projects being built (more tax revenue) and whether those projects create environmental impacts that require future government response (more cost).
- **Court Impact:** The effect on state trial courts is uncertain, potentially ranging from tens of millions in annual savings to low-tens-of-millions in annual costs, depending on how workloads shift.

Supporters Say

- Lengthy delays, lawsuits, and regulatory uncertainty increase the cost of housing, water, energy, schools, hospitals, and other infrastructure projects.
- The measure does not exempt projects from environmental review and preserves existing environmental laws such as the Clean Air Act and the Endangered Species Act, while creating faster procedures.
- Modernizing and streamlining permitting will accelerate the delivery of essential projects such as clean water, hospitals, and wildfire prevention.
- Speeding up these projects will lower the cost of housing, energy, electricity, health care, and other necessities, while also reducing taxpayer costs for public works projects.

Opponents Say

- The measure does not require housing, utility, or other consumer costs to be reduced, even if projects move through the approval process more quickly.
- Environmental review helps identify impacts to air quality, water quality, wildlife, and public health before projects are approved; this measure reduces those protections.
- Capping public comment periods and limiting the range of project alternatives analyzed in EIRs may reduce the public's ability to provide meaningful input on major projects.
- Restricting what is included in the administrative record used by the courts in a legal challenge may prevent the courts from seeing community input that wasn't submitted per the initiative's requirements.
- Restricting the court's ability to rescind project approvals and limiting judicial review to "objective existing laws" could make it more difficult for communities to successfully challenge projects with unintended negative environmental impacts.
- Housing costs are influenced by many factors beyond environmental review and permitting timelines, including land prices, financing costs, labor expenses, construction materials, and competition for affordable housing funding.

For More Information

Supporters:

- Yes on 45 – Building a More Affordable California, a Coalition of Water, Affordable Housing, Clean Energy, Small Business, Healthcare & Community Leaders - YESonProp45.com
- Ann-Louise Kuhns, President, California Children's Hospital Association
- Jennifer Capitolo, Executive Director, California Water Association

- Jenna Abbott, Executive Director, California Council on Affordable Housing

Opponents:
- No on Prop. 45 - Noprop45CA.com
- Joe Lyou, President, Coalition for Clean Air
- Jennifer Clary, California Director, Clean Water Action
- Matt Abularach-Macias, Political Director, California Environmental Voters

Spending in Support/Opposition

Cal Access - Prop 45:
Cal Access Prop 45 Campaign Contributions

In Support as of 9/10/26 - $43.2M Total. Top 5 Contributors:

Building a Better California	$10,000,000
California Building Industry Assoc. Issues Committee	6,650,000
California Building Industry Association	3,250,000
Edison International and affiliated entities	2,000,000
Calchamber Non-Donor Funds	2,000,000

In Opposition as of 9/10/26 - $15M Total. Top 3 Contributors:

Clean and Healthy California sponsored by environmental organizations	$7,030,000
Wendy Schmidt	5,000,000
Members' Voice of the State Building and Construction Trades Council of California	1,176,000

Choosing Yes or No

A "YES" vote means: State and local agencies would be required to follow strict timelines for environmental and permit reviews for "essential" projects. Courts would have to resolve legal challenges to these projects within 270 days. PER THE VOTER INFORMATION GUIDE: Certain public and private projects would be eligible for new project review and court challenge procedures. For example, new procedures would tighten time limits for environmental review and reduce the scope of what courts can consider when reviewing legal challenges.

A "NO" vote means: Existing environmental review and permitting processes, including current timelines and judicial procedures, would remain in place. PER THE VOTER INFORMATION GUIDE: Public and private projects would continue to use the existing project review and court challenge procedures.

Sources

- Official Voter Information Guide - Prop 45
- Prop 45 Full Text
- LAO Fiscal Analysis (A.G. File No. 25-0023)
- Ballotpedia Prop 45
- *California Legislative Information*
- *Digital Democracy | CalMatters*
- *Public Policy Institute of California*
- *Institute of Governmental Studies*
- *California - Ballotpedia*
- *California Fair Political Practices Commission*
- *Calif Secretary of State Initiatives*