League of Women Voters of California Education Fund

PROS & CONS

Press Date: September 1, 2026

The League of Women Voters of California Education Fund (LWVCEF), a 501(c)(3) nonpartisan organization, encourages informed and active participation in government and works to increase understanding of major public policy issues. The LWVCEF does not support or oppose candidates, political parties, or ballot measures.

The *Pros & Cons* is a nonpartisan explanation of state propositions, with supporting and opposing arguments. The arguments come from many sources and are not limited to those presented in the *Official Voter Information Guide*. The LWVCEF does not judge the merits of the arguments or guarantee their validity.

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General Election • November 3, 2026

In this election, California voters will choose a Governor, and other representatives for national, state, and local government. Voters will decide if judges on the state's Supreme Court should keep their positions.

California voters will also be deciding on 14 state propositions that are explained in this *Pros & Cons*. Five of the propositions were placed on the ballot by the state legislature, and other propositions have been placed on the ballot by people who collected enough signatures.

Visit VOTE411.org to see everything on your ballot, your polling place, and unbiased information on all your voting choices.

How to Evaluate Propositions

- ★ Examine what the measure seeks to accomplish. Do you agree with those goals?
- ★ Is the measure consistent with your ideas about government? Do you think the proposed changes will make things better?
- ★ Who are the real sponsors and opponents of the measure?
- ★ Is the measure written well? Will it create conflicts in law that may require court resolution or interpretation? Is it “good government,” or will it cause more problems than it will resolve?
- ★ Does the measure create its own revenue source? Does it earmark, restrict, or obligate government revenues? If so, weigh the benefit of securing funding for this measure against the cost of reducing overall flexibility in the budget.
- ★ Does the measure mandate a government program or service without addressing how it will be funded?
- ★ Does the measure deal with one issue that can be easily decided by a YES or NO vote? Or is it a complex issue that should be thoroughly examined in the legislative arena?
- ★ If the measure amends the Constitution, consider whether it really belongs in the Constitution. Would a statute accomplish the same purpose? All constitutional amendments require voter approval; what we put into the Constitution would have to come back to the ballot to be changed.
- ★ Be wary of distortion tactics and commercials that rely on image but tell nothing of substance about the measure. Beware of half truths.

Bonds for Affordable Housing and Veteran Home Loans

THE QUESTION: Should the state authorize $10 billion in bonds to fund affordable housing programs, and $1.25 billion in bonds for home loan assistance for California veterans?

THE SITUATION
California faces a shortage of affordable housing. Home prices and rents are among the highest in the nation. Many households, including families with low incomes, veterans, farmworkers, students, older adults, and people experiencing homelessness, struggle to find housing they can afford.

The state currently funds affordable housing programs that help build and preserve housing, provide homeownership assistance, and support infrastructure related to housing development. California also operates the CalVet Home Loan Program, which has helped veterans purchase homes through state-backed loans for more than 100 years.

Voters previously approved housing bonds in 2018 and 2024. These funds are largely committed, and additional funding is needed because housing costs continue to rise.

THE PROPOSAL
The Legislature placed Proposition 1 on the ballot to authorize the state to issue $11.25 billion in general obligation bonds.

The measure would provide:

- $7.2 billion for affordable multifamily housing, including supportive housing
- $1.1 billion for homeownership assistance programs

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- $500 million for housing-related infrastructure projects
- $450 million for farmworker housing
- $350 million for student housing at the University of California and California State University systems
- $200 million for tribal housing programs
- $200 million for local housing pilot programs
- $1.25 billion for the CalVet Home Loan Program

FISCAL EFFECTS
According to the Legislative Analyst's Office, the state would pay about $500 million to $600 million each year for about 25 years to repay the $10 billion housing bond portion of the measure. Repayment would come from the state's General Fund.

The $1.25 billion veterans home loan portion would be repaid through loan payments made by participating veterans and is not expected to create direct state repayment costs.

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SUPPORTERS SAY

- Prop 1 would help build and preserve affordable housing for veterans, seniors, working families, people with disabilities, and others struggling with housing costs — all without raising taxes.
- The measure would help prevent homelessness and expand opportunities for homeownership.
- Investing now in housing will strengthen communities and support California's long-term housing needs.

OPPONENTS SAY

No argument against Proposition 1 was submitted for the Official Voter Information Guide. Critics of bond measures generally argue that:

- Bonds increase long-term state debt because taxpayers repay both the borrowed amount and interest.
- Money used to repay bond debt may reduce funding available for other state priorities 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.

Increases the State's "Rainy Day" Fund

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 appropriations limit?

THE SITUATION

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. 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.

California has several budget reserves or "rainy day" funds that help to protect public services when the state faces a budget emergency. The state's largest reserve is the Budget Stabilization Account (BSA). Voters approved two propositions (Prop 58 in 2004 and Prop 2 in 2014) that established this fund and a set of formulas that determine how much the state must deposit into the BSA. Those propositions also determined how much must be used for debt payments each year. 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 tax revenues each 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 debt. (After 2030, the funds could just be deposited into BSA.) In years when tax revenues are high, the state can save even more in the BSA. However, the balance of the BSA is limited to 10% of the total General Fund tax revenue for that fiscal year. Prior to 2026, the BSA balance reached the 10% limit twice — in 2022-23 and 2023-24 — but then dropped as state leaders withdrew funds in subsequent years to address budget shortfalls.

Also, deposits into the BSA count towards the state appropriations limit whereas withdrawals do not. This means that the amount that is deposited in the BSA is counted towards state spending.

This was put on the ballot by the legislature. If passed, it would change the California Constitution.

THE PROPOSAL

If approved, Prop 2 would raise the limit on the BSA balance from 10% to 20% of General Fund tax revenues, thus allowing the state to build a larger rainy day fund. Proposition 2 would also require the state to make debt payments through 2040 (instead of through 2030). These debt payments would remain equal to the amount deposited into the BSA each year. In addition, the amount set aside for extra debt payments could be used for an expanded set of purposes.

The measure also changes how reserve deposits and withdrawals are treated relative to the state appropriations limit in that deposits would not count towards the appropriations limit, but withdrawals would.

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FISCAL EFFECTS

By continuing to require deposits into the rainy day fund until the balance reaches 20% of General Fund tax revenues, the state would save more over time and reserves would increase. By requiring the state to make extra debt payments through 2040, the state might make more debt payments than it would without Prop 2.

SUPPORTERS SAY

- Prop 2 forces more savings rather than spending when tax revenues spike.
- Prop 2 ensures that funding for schools, healthcare, and public safety continues during economic downturns.

OPPONENTS SAY

- Prop 2 guarantees more spending not less.
- Tax revenues that exceed spending limits can now be placed in the BSA rather than returned to taxpayers as rebates.

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

Extends Certain Income Tax Rates

THE QUESTION: Should the income tax rates on high earners that were passed by voters in 2012 and extended in 2016 be made permanent?

THE SITUATION

In 2012 California voters passed Prop 30, creating new income tax brackets with higher tax rates. This will only affect individuals with incomes over $371,000 a year. The income threshold is even higher for married couples and heads of households. Revenue from these higher taxes goes into the Education Protection Account and is distributed to K-12 schools and community colleges. Some revenue also goes to the state's General Fund for budget reserves and low-income healthcare. In 2016 California voters extended these income tax rates through 2030.

THE PROPOSAL

Prop 3 would make permanent the existing 2012 voter-approved tax rates for high-income Californians, currently set to expire in 2031. It does not create any new taxes.

FISCAL EFFECTS

Prop 3 would bring in between $5 Billion and $15 Billion each year. The amount of money is hard to predict and will go up and down with the economy. Typically, about 40% 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 to help the state balance its budget when the economy is weak. Money brought in under Prop 3 that does not go to schools, community colleges, or reserves could be used for other state programs, such as low-income healthcare.

SUPPORTERS SAY

- Prop 3 merely extends the current tax rates on the wealthiest 2% of Californians.
- Prop 3 prevents billions in future cuts to our schools and healthcare.
- Prop 3 has accountability measures guaranteeing funds will go directly to local schools.

OPPONENTS SAY

- Prop 3 turns "temporary" taxes into permanent higher income taxes.
- California doesn't have a revenue problem; we have a spending problem.
- Since 2012 our schools have gotten worse despite the increased revenue.

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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

End Ban on Public Financing of Campaigns

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 26 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.

THE PROPOSAL

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 could not use funds earmarked for education, transportation or public safety and would be limited to specific spending limits and eligibility rules.

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.

FISCAL EFFECTS

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. Any future state public campaign finance system, or costs associated with it, are not known and would depend on future legislative decisions related to the design of such a program.

The California Fair Political Practices Commission (FPPC) would incur estimated costs of a few hundred thousand dollars per year to hire more legal staff to answer questions from state and local governments about public campaign finance programs.

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SUPPORTERS SAY

- Prop 4 would amplify the voices of everyday voters and candidates and offer them a viable alternative to fundraising that relies on wealthy donors and special interests.
- The measure would allow qualified candidates from all walks of life to compete and win.
- Prop 4 would increase the diversity of campaign contributors.

OPPONENTS SAY

- Passage of Prop 4 might compel governments to abandon prudent fiscal policies or take advantage of the tax dollars they receive.
- The measure could force taxpayers to finance political speech they do not wish to support, such as negative political ads.
- Implementation could 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

Changes to Recall Elections

THE QUESTION: Should recall ballots remove the replacement-candidate question and fill vacancies through existing election or appointment laws?

THE SITUATION

Since 1911, California voters have been able to remove elected officials before their terms end through a recall petition. A recall qualifies for the ballot when supporters collect enough signatures based on turnout in the last election for that office.

Current recall ballots ask whether to remove the official and who should replace them. If more than half of voters vote yes on the first question, the official is removed. Voters also choose a replacement on the same ballot. The candidate who wins the most votes is elected, even if that candidate gets less than half of the total replacement candidate votes. Voters may vote on the second question, regardless of their vote on the first question. The recalled official may not run as a replacement candidate.

In 2021, 62 percent voted not to recall Governor Newsom. Had the recall passed, the top replacement candidate would have taken office with roughly 48 percent of the votes cast on the replacement question — but only about 28 percent of the votes cast in the recall election overall, since many "no" voters didn't vote on question two.

The Legislature put this on the ballot. If passed, it changes the California Constitution.

THE PROPOSAL

Prop 5 would remove the replacement-candidate question. Voters would decide only whether to remove the official. If a majority of voters (50%+1) vote yes, the official would be removed and the office would be filled either by appointment or special election, depending on the office. The recalled official may not be appointed to the same office but could run in a special election.

If the governor is recalled, the lieutenant governor would serve until voters elect a new governor. If the recall occurs in the first two years of the term, a replacement election would be held at the next statewide election, and the winner would serve the rest of the term. If the recall happens later in the term, the lieutenant governor serves out the rest of the term instead.

For other statewide offices, such as the lieutenant governor, attorney general, or secretary of state, the governor would appoint a replacement for the rest of the term. Legislative vacancies would usually be filled by a special election.

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FISCAL EFFECTS

According to the Legislative Analyst's Office, Prop 5 could create costs or savings in the millions of dollars, depending on how many recalls occur and which offices are involved. Statewide office recalls (such as lieutenant governor) would affect election officials in 58 counties. District office recalls (such as a member of the Legislature) would only affect the election officials in that district.

Removing replacement candidates from the ballot could save money, but a later special election could increase costs.

SUPPORTERS SAY

- Prop 5 preserves voters' power to remove an officeholder by majority vote and prevents a replacement candidate from winning with only a small share of the vote in the same election.
- Choosing who governs should happen in a regular election, where candidates must earn majority support from California voters.

OPPONENTS SAY

- Voters should keep the right to remove an elected official and choose the replacement at the same time, saving taxpayers' money.
- Leaving the seat vacant for a later special election could delay the voters' call for change and allow the person recalled to run on the replacement election ballot.

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

Bonds to Help Middle-Income Californians Buy New Homes

THE QUESTION: Should California allow the California Housing Finance Agency (CalHFA) to issue up to $25 billion in revenue bonds to help eligible middle-income Californians buy newly built homes?

THE SITUATION

California faces a housing shortage, and home prices have risen faster than many household incomes. For many people, saving enough money for a down payment is one of the biggest hurdles to buying a home.

The California Housing Finance Agency (CalHFA) operates programs that help some Californians purchase homes. Some of these programs provide down-payment assistance through loans that must eventually be repaid. Most existing programs focus on low- and moderate-income households.

California law also establishes construction standards for newly built homes and provides procedures that homeowners and builders must follow when construction defects are reported. Builders have argued that these rules increase the risk of developing new housing, particularly condominiums and townhomes.

THE PROPOSAL

Voters signed petitions to place Proposition 37 on the ballot. Prop 37 would allow CalHFA to issue up to $25 billion in revenue bonds to create a new homeownership assistance program. Unlike general obligation bonds, revenue bonds are intended to be repaid by program participants rather than taxpayers.

Under the program:

- Eligible buyers could receive a second mortgage worth up to 17% of the purchase price of a qualifying newly built home.

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- Buyers would have to make a minimum 3% down payment from their own funds.
- Borrowers would have to meet income limits, occupy the home as their primary residence, and be California residents.
- The program would apply only to newly built homes and certain converted nonresidential properties.

The measure would also create a voluntary "Qualified Builder" program. Builders who choose to participate would meet higher labor standards (e.g., using trained workers on certain projects) in exchange for different, more flexible construction-defect rules.

FISCAL EFFECTS

According to the Legislative Analyst's Office, Prop 37 would likely have no direct state or local government cost. The measure is designed so that homeowners who receive loans would repay the bonds and administrative costs through their mortgage payments.

The ultimate impact of the program will depend on factors such as investor demand for the bonds, participation by homebuyers, and whether the measure increases home construction and homeownership.

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SUPPORTERS SAY

- Prop 37 would help middle-income Californians who can afford monthly mortgage payments but struggle to save for a large down payment.
- By targeting assistance for newly built homes, the measure could encourage additional home construction and increase housing supply.
- The program is designed to be funded by revenue bonds repaid by participating homeowners, with no cost to taxpayers.
- The measure includes consumer protections and financial safeguards while expanding access to homeownership.

OPPONENTS SAY

No argument against Prop 37 was submitted for the Official Voter Information Guide. However, critics of the measure have raised concerns that:

- The measure could encourage new housing farther from existing communities and services.
- Requiring only a 3% down payment may increase risks of default if home values decline or borrowers experience financial difficulties.
- If borrowers default on their loans, there may not be enough money to repay the bonds.

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- Some changes to construction-defect rules could make it more difficult for homeowners to pursue claims against builders.

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.

Bonds for Research on the Immune System

THE QUESTION: Should California authorize $8.4 billion in bonds to fund immunology and immunotherapy research at California research institutions?

THE SITUATION

Medical research in the United States is funded by a combination of private industry, the federal government, universities, and nonprofit organizations. Private industry provides most research funding, while federal agencies such as the National Institutes of Health support a large share of basic scientific research. State governments generally play a smaller role in funding medical research.

Immunology is the study of the body's immune system. Immunotherapy involves treatments that help the immune system prevent, treat, or cure disease. Researchers are studying immunotherapy as a treatment for cancer, Alzheimer's disease, heart disease, autoimmune disorders, and other conditions.

California voters have previously approved state bonds for stem cell research. Proposition 71 (2004) authorized $3 billion in bonds, and Proposition 14 (2020) authorized an additional $5.5 billion. Those measures funded research through competitive grant programs.

THE PROPOSAL

Voters signed petitions to place Proposition 38 on the ballot. Prop 38 would authorize the state to borrow $8.4 billion by issuing general obligation bonds for immunology and immunotherapy research. The bonds would be repaid from the state's General Fund.

The measure would allocate:

- Approximately $4.2 billion to a single nonprofit medical research institute selected by the California Department of Public Health. The institute must meet specific eligibility requirements, including an affiliation with a University of California campus.
- Approximately $4.2 billion in competitive grants to California public universities, nonprofit universities, and nonprofit research institutions.
- At least half of all funding must support research on cancer, heart disease, and Alzheimer's disease.
- Universities and institutes that receive grants must buy at least half their goods and services from California suppliers when possible.

The measure would require recipients to return 10% of licensing or revenue generated from funded research to the state. Treatments developed through the program would generally be sold in California at prices at least 20% below the national average.

The measure also creates oversight committees, reporting requirements, independent audits, and limits state administrative costs to 2% of total bond funding.

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FISCAL EFFECTS

According to the Legislative Analyst's Office, the state would pay approximately $500 million to $600 million annually for about 20 years to repay the bonds. Repayment would come from the state's General Fund.

The state could recover some of these costs if funded research produces discoveries that generate licensing or revenue. The amount and timing of any repayment are uncertain and could take many years.

The measure could also have indirect effects on state health care costs and California's biotechnology economy, but those impacts are difficult to predict.

SUPPORTERS SAY

- Research funded by Prop 38 could lead to new treatments or cures for diseases such as cancer, Alzheimer's disease, heart disease, Parkinson's disease, and other serious illnesses.
- The measure would provide a stable source of funding for California research institutions at a time when federal research funding is uncertain.
- Any treatments developed with program funding would generally be sold in California at discounted prices.
- The measure includes audits, public reporting, and revenue-sharing requirements intended to protect taxpayers.

OPPONENTS SAY

- Research outcomes are uncertain. Opponents say the state should not borrow billions of dollars for projects that may never produce new treatments.
- Medical research priorities should be set by public health needs and scientific review, not through ballot measures.
- Future health needs may change, and opponents say the state should not commit billions of dollars to one area of research for many years.
- Half of the funding would go to one research institute instead of being distributed more broadly among California research organizations.

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

Prohibits Voting Without ID

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

People sign a statement that they are citizens and live in California when they register to vote. They do not have to show a drivers license or birth certificate to register. If they register by mail or online, they may need to show ID the first time they vote in a federal election. California verifies voter information and maintains a list of all registered voters in the state.

THE PROPOSAL

Prop 39 would amend the California constitution to require voters to show 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. Voters would be able to get a free state voter ID card if needed. It would also require the state to maintain voter-registration data and to verify voters' citizenship status.

FISCAL EFFECTS

Costs in the tens of millions of dollars or possibly hundreds of millions of dollars to fulfill the requirements of the measure.

SUPPORTERS SAY

Prop 39 keeps voting accessible and increases participation and trust in our elections by providing voters a free government-issued ID that will allow them to vote more quickly and efficiently. It has bipartisan support and ensures that voter rolls will continue to be accurately maintained.

OPPONENTS SAY

Prop 39 wastes millions of dollars that Californians could use for other purposes. It puts voter identity at risk by requiring personal information on ballot envelopes and increases the chance that a ballot will be disqualified. It will keep citizens from voting and will disproportionately affect vulnerable populations.

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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

The 2026 Billionaire Tax Act

THE QUESTION: Should a one-time 5% wealth tax be imposed on billionaires in California to pay for healthcare services, food assistance, and education programs?

THE SITUATION

California, like the rest of the United States, has traditionally taxed income rather than wealth. Income is money people earn over time, such as wages, salaries, tips, or rental income. Wealth is the total value of what a person owns, including savings, investments, real estate, and other assets, minus any debts. Wealth can provide financial security during emergencies and often generates additional income through investments or rental properties. California already taxes certain forms of wealth through property taxes on homes and commercial real estate. However, those taxes apply only to specific property, not to a person's total net worth. A wealth tax would instead be based on the total value of all assets after debts are subtracted.

In 2025, Congress passed H.R. 1, the One Big Beautiful Bill Act, which reduces federal funding for several safety-net programs. When fully implemented on January 1, 2027, California is expected to lose about $30 billion annually in Medi-Cal funding while also facing up to $9.5 billion in new administrative costs. Prop 40's stated purpose is to help fill the budget hole that was created by passage of H.R. 1. Voters signed petitions to place this on the ballot. If Prop 40 passes it will change the California Constitution to allow a one-time wealth tax.

THE PROPOSAL

Proposition 40 would create a one-time 5% wealth tax on individuals and certain trusts with more than $1 billion in covered assets. The tax is expected to affect about 200 taxpayers and is estimated to raise tens of billions of dollars over five years. A simple majority vote is needed for the measure to pass.

The tax would apply to California residents as of January 1, 2026, who had a net worth above $1 billion on December 31, 2026. All California taxpayers would be required to report on their 2027 state tax return whether their net assets exceeded $1 billion. Those meeting the threshold would have to file additional forms, provide appraisals when needed, and calculate the tax they owe.

Most types of wealth would count toward the $1 billion threshold, including stocks, bonds, privately owned businesses, art, collectibles, and intellectual property. Real estate would not be included because it is already subject to property taxes. Most retirement accounts would also be exempt, although very large Roth IRA accounts above $10 million and some pension benefits could be included.

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Property would generally be valued at fair market value, and publicly traded investments would use their market price on December 31, 2026. Certain debts, such as loans from relatives or loans that are not at market terms, could not be used to reduce taxable wealth. The measure also includes rules that count many trust assets and certain recent asset transfers toward a taxpayer's wealth to discourage avoiding the tax. Taxpayers could pay the tax all at once or over five years, with interest on unpaid balances. Significant penalties would apply for understating assets.

Revenue from Prop 40 would be placed into two new funds. After administrative costs, 90% of the revenue would support health care programs, including Medi-Cal, hospitals, and health care providers. The remaining 10% of revenue would support education and food assistance programs, such as public schools, CalFresh, and school meal programs. The measure states that these funds cannot replace existing state funding for those programs.

Prop 40 exempts its revenues from constitutional requirements for school funding, budget reserves, and the state spending limit.

FISCAL EFFECTS

The Legislative Analyst's Office estimates Proposition 40 would raise tens of billions of dollars over several years, although revenues would vary with asset values. The measure could reduce future income tax collections if some wealthy residents leave California. The state would also incur implementation and enforcement costs, funded by the new wealth tax revenues.

SUPPORTERS SAY

- Healthcare funding has been cut by the federal government to give billionaires tax breaks, eliminating health care coverage for over a million Californians and doubling health insurance premiums for millions more.
- Billionaires should pay their fair share and lessen the burden on the middle class.
- Raises about $100 billion to replace lost federal dollars and protect essential services without raising taxes on the middle class, small businesses, or homeowners.

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The 2026 Billionaire Tax Act

THE QUESTION: Should a one-time 5% wealth tax be imposed on billionaires in California to pay for healthcare services, food assistance, and education programs?

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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.

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 Limits and Audits for New Special Taxes

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 and subject to recurring audits?

THE SITUATION

In 1979 Voters approved Proposition 4, State Spending Limits Article XIII B of the California Constitution . Prop 4 (also known as the Gann Act after a co-author) established a state spending cap, the State Appropriation Limit (SAL), that is adjusted every year 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. Prop 98 (1988) amended the Gann Act, tying a portion of any excess revenue to school funding. Prop 111 (1990) reset the formula's baseline and added special taxes to the list of taxes excluded from the spending limit. The exemptions from the state spending limit include 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.

THE PROPOSAL

The measure would require the State Auditor to conduct a financial and performance audit of proposed citizen initiatives that contain a special tax once the Secretary of State is notified that 25% of the necessary voter signatures to qualify the initiative for the ballot have been collected.

Continued from previous column...

- Would require the State Auditor to produce an executive summary to be included in the Voter Information Guide (VIG) produced by the Secretary of State if the initiative qualifies for the ballot,
- If approved by the voters, the State Auditor will be reimbursed from the revenues generated by the special tax.

Requires audits every 4 years of programs funded by special taxes created or increased by the Legislature or by voters after January 1, 2026.

- The State Auditor would be required to solicit public input while preparing the audits.
- Recurring audits would be reimbursed from the revenues generated by the special tax.

Prohibits exemptions from the mandated Government Spending Limit

- No state special tax taking effect after January 1, 2026, could be excluded from Government Spending limits.

CONFLICTING PROPOSITION

Prop 40, The Billionaire Tax Act 2026, would be a special tax held in a reserve fund that is not part of the state spending limit. If Prop 41 passes, with more votes than Prop 40, it could nullify Prop 40.

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Spending Limits and Audits for New Special Taxes

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FISCAL EFFECTS

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

If an initiative containing a special tax is approved by voters, the revenues from the special tax would be used for costs incurred for audits required under the measure.

If such an initiative were rejected by voters or did not ultimately qualify for the ballot, the state General Fund would pay the cost of the one-time audit, totaling in the range of the low millions of dollars for each two-year election cycle. The degree to which this would occur depends on future decisions and are 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. Prop 41 could nullify Prop 40, the 2026 Billionaires Tax Act. 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

Limits New State Taxes on Personal Property

THE QUESTION: Should personal financial assets and personal property be protected from new or retroactive state taxes?

THE SITUATION

Personal Property as 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*.

Personal financial assets are not taxed. The mere ownership or control of an asset is not currently taxed.

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

THE PROPOSAL

Prop 42 will prohibit any future provisions to the Constitution that would authorize new taxes on personal financial assets or personal property, 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. Retroactive taxes, taxes on past actions or earnings, would be prohibited.

FISCAL EFFECTS

This measure would have the following major fiscal effects:

- The measure restricts the options the state government will have to raise taxes in the future.
- Possibility that tax revenues will be lower in the future.
- When and by how much future revenues would be reduced is unclear.

CONFLICTING PROPOSITION

Prop 40, The Billionaire Tax Act 2026, would be a special tax on personal property and personal financial assets, or a wealth tax. If Prop 42 passes, with more votes than Prop 40, it could nullify Prop 40.

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Limits New State Taxes on Personal Property

THE QUESTION: Should personal financial assets and personal property be protected from new or retroactive state taxes?

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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" or everything you own, in the Billionaires Act could be expanded over time to reach taxpayers who are not billionaires.

OPPONENTS SAY

- Voters for the Billionaire's Tax Act may not realize that only one can win and that a vote for Proposition 40 and 42 won't necessarily grant them 2 wishes.
- Proponents 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.

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

Two-Thirds Vote for Certain Local Taxes

THE QUESTION: Should voter-sponsored local special taxes require two-thirds voter approval instead of a simple majority vote?

THE SITUATION

California law allows local governments and local voters to place tax measures on the ballot.

- Some tax measures, known as special taxes, must be used for a specific purpose such as transportation, public safety, schools, parks, libraries, or affordable housing.
- Under current law, local governments generally must obtain two-thirds voter approval before imposing, increasing, or extending a special tax.
- However, California court decisions have allowed certain voter-sponsored special taxes placed on the ballot through the initiative process to be approved by a simple majority rather than a two-thirds majority.
- California's Constitution, including Proposition 13 (1978), places limits on certain local taxes and property taxes.
- Proposition 43 addresses how certain local special taxes and property tax-related initiatives may be approved in the future.

THE PROPOSAL

Proposition 43 would amend the California Constitution effective January 1, 2027.

- Local special taxes proposed through the voter initiative process would require two-thirds voter approval rather than a simple majority.

Continued from previous column...

- Voter-sponsored local special taxes that seek to impose, increase, or extend a tax would be subject to the same approval threshold generally applied to local government-sponsored special taxes.

The measure was placed on the ballot by the California Legislature and passed with bipartisan support.

FISCAL EFFECTS

According to the Legislative Analyst's Office, Proposition 43 could result in lower local government tax revenues in the future because voter-sponsored local special taxes would face a higher approval threshold. The actual fiscal effect is unknown and would depend on future tax proposals and voter decisions.

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Two-Thirds Vote for Certain Local Taxes

THE QUESTION: Should voter-sponsored local special taxes require two-thirds voter approval instead of a simple majority vote?

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SUPPORTERS SAY

- Prop 43 restores the two-thirds vote requirement that some believe voters intended under Proposition 13.
- All local special taxes should be subject to the same voter-approval standard, regardless of who places the measure on the ballot.
- Taxes dedicated to a specific purpose should require broad voter support before they are approved.
- The measure closes what supporters describe as a loophole created by court decisions.

OPPONENTS SAY

- Proposition 43 would make it harder for communities to fund local services such as schools, roads, public safety, affordable housing, and health care.
- The measure would allow a minority of voters to block tax measures supported by a majority of voters.
- Local communities should be able to approve tax measures through majority vote.
- The initiative process provides voters with a direct way to address local needs when elected officials do not act.

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

90% Health Care Spending for Nonprofit Safety-Net Clinics

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.

FQHCs that have nonprofit status are required to file annual reports with the Internal Revenue Service 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.

Prop 44 was placed on the ballot as a citizen initiative.

THE PROPOSAL

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. Spending on other expenses like administration would be limited to 10% of their revenue. The California Attorney General would be responsible for defining which expenses qualify as mission-related and would calculate the percentage of revenue spent on mission-related activities, based on financial information reported by the clinic.

The Attorney General would provide these calculations to the California Department of Public Health, which would be responsible for enforcing the measure. Clinics that fail to meet the 90% threshold would be subject to financial penalties. The measure also allows clinics to seek exemptions under certain circumstances.

FISCAL EFFECTS

Enforcing Prop 44 could cost the state tens of millions of dollars each year, which would be covered by charging fees on the affected clinics. But there might be other costs to the state. Some clinics might increase patient services paid for by MediCal. Other clinics may cut back on services or even close if they cannot meet the new rules. If that happens, more patients may have to go to public hospitals or emergency rooms to get care.

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SUPPORTERS SAY

- 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

- 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

Changes Environmental Review for Certain Projects

THE QUESTION: Should California create new environmental review, permitting, and court challenge procedures for certain projects and require those reviews to be completed within specified timelines?

THE SITUATION

Before many projects can be built in California—including housing developments, schools, transportation projects, water systems, health facilities, and energy projects—government agencies must review how those projects could affect the environment. This review process is primarily governed by the California Environmental Quality Act, known as CEQA.

Under CEQA, agencies evaluate potential environmental and community impacts before projects are approved. These impacts can include effects on air quality, drinking water, traffic congestion, noise levels, wildfire risk, public health, wildlife habitat, and cultural or tribal resources. For some projects, agencies must prepare a detailed Environmental Impact Report (EIR).

After a project is approved, people may challenge the decision in court if they believe environmental laws were not properly followed. These reviews and legal challenges can sometimes take years to complete. Supporters argue that lengthy reviews, permitting delays, and litigation increase the cost of housing and infrastructure. Opponents argue that environmental review and public participation help protect communities, public health, and natural resources.

THE PROPOSAL

Proposition 45 creates a new optional review process for projects it defines as "essential." Eligible projects include housing, water systems, clean energy facilities, schools, broadband infrastructure, health facilities, wildfire prevention projects, fire, police, and sheriff's stations, and many transportation projects. Developers could choose either the new procedures or existing procedures. Prop 45 would:

- Establish new timelines for environmental review and permit decisions.
- Limit the number of project alternatives that must be analyzed during environmental review.
- Require agencies to apply the environmental standards in effect when a project application is submitted, rather than those adopted later.
- Limit the information courts may consider when reviewing certain challenges.
- Restrict courts' ability to stop an entire project when only part of the environmental review is found to be deficient.
- Create deadlines for courts to resolve legal challenges.

FISCAL EFFECTS

According to the Legislative Analyst's Office, state and local governments would likely incur initial implementation costs in the high tens of millions of dollars annually, potentially exceeding $100 million. Some of these costs would be offset by fees paid by project applicants and people filing lawsuits.

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Over the longer term, the fiscal effects are uncertain. Faster project approvals could reduce government costs and increase tax revenue if more projects are built. However, governments could also face costs if projects create negative environmental impacts that otherwise might have been avoided or reduced.

SUPPORTERS SAY

- Prop 45 would reduce delays in building housing, water systems, schools, hospitals, clean energy projects, and wildfire-prevention projects.
- The measure would maintain environmental review laws while creating more predictable timelines.
- Taxpayers could benefit if public projects are completed more quickly and with fewer delays.
- Faster approvals and court decisions could lower project costs and help address California's high cost of living.

OPPONENTS SAY

- Prop 45 would reduce environmental review and limit public input on projects built in local communities.
- The measure could make it harder to identify or address project impacts related to air pollution, drinking water quality, wildfire risk, and other public health exposures.
- Environmental review is only one factor affecting project development costs. Prop 45 does not require housing, utility, or other consumer costs to be reduced.

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