PROPOSITION 1

This law proposed by Senate Bill 417 of the 2025–2026 Regular Session (Chapter 16, Statutes of 2026) is submitted to the people in accordance with the provisions of Article XVI of the California Constitution.

This proposed law adds sections to the Health and Safety Code and the Military and Veterans Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SEC. 2. Part 16.1 (commencing with Section 54050) is added to Division 31 of the Health and Safety Code, to read:

PART 16.1. VETERANS AND AFFORDABLE HOUSING BOND ACT OF 2026

Chapter 1. General Provisions

54050. Together with Article 5ab (commencing with Section 998.750) of Chapter 6 of Division 4 of the Military and Veterans Code, this part shall be known, and may be cited, as the Veterans and Affordable Housing Bond Act of 2026.

54051. This part shall only become operative upon adoption by the voters at the November 3, 2026, statewide general election.

54052. For purposes of this part, "fund" means the Affordable Housing Bond Act Trust Fund of 2026 created pursuant to Section 54054.

Chapter 2. Affordable Housing Bond Act Trust Fund of 2026 and Program

54054. (a) The Affordable Housing Bond Act Trust Fund of 2026 is hereby created within the State Treasury. It is the intent of the Legislature that the proceeds of bonds issued and sold pursuant to this part, exclusive of refunding bonds issued pursuant to Section 54076, be deposited into the fund and used to fund affordable rental housing and home ownership programs as described in this chapter.

(b) The proceeds of bonds issued and sold pursuant to this part for the purposes specified in this chapter shall be allocated in the following manner:

(1) Five billion one hundred million dollars ($5,100,000,000) to be deposited into the Housing Rehabilitation Loan Fund established pursuant to Section 50661 to be used for the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2. At least 10 percent of assisted units in each development receiving these funds shall be affordable to extremely low income households.

(2) One billion one hundred fifty million dollars ($1,150,000,000) to be deposited into the Housing Rehabilitation Loan Fund established pursuant to Section 50661 to be used for supportive housing, as described in Section 50675.14, pursuant to the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2. The administering entity shall offer capitalized operating subsidy reserves for supportive housing units in developments receiving these funds.

(A) (i) Up to 15 percent of this amount shall be made available as grants to eligible entities specified in Section 50675.1.3 to acquire capital assets for the acquisition, conversion, or rehabilitation of interim housing to permanent housing, including scattered site projects for persons who are homeless, chronically homeless, or are at risk of homelessness, as defined in Part 578.3 of Title 24 of the Code of Federal Regulations, the purchase of affordability covenants and restrictions for units, relocation costs for individuals who are being displaced as a result of rehabilitation of existing units, and capitalized operating subsidies for units purchased, converted, or altered with funds provided by this section.

(ii) Any program or project that uses funds received for any of the purposes described in this subparagraph shall be subject to the regulatory streamlining provisions of Section 50675.1.5 of the Health and Safety Code and subdivision (i) of Section 50675.1.3.

(iii) Any conflict between the other requirements of the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2) and this paragraph shall be resolved in favor of this paragraph, as may be set forth in the guidelines authorized pursuant to Section 54077.

(B) (i) One hundred fifty million dollars ($150,000,000) of this sum shall be used for youth housing.

(ii) For purposes of this subdivision, "youth housing" means housing for current or former foster youth, homeless minors or youth, or youth at risk of homelessness, including, but not limited to, housing that assists them develop the skills and resources they need to make a successful transition to independent, self-sufficient adulthood.

(iii) Funds made available under this subparagraph shall be used only for the capital costs of developing, acquiring, rehabilitating, or preserving youth housing, and shall not be used to fund the operation or delivery of services.

(iv) Any funds not encumbered for the purpose of this subparagraph within three years of availability shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2.

(3) Seven hundred fifty million dollars ($750,000,000) to be appropriated by the Legislature, to the program commonly known as the Portfolio Reinvestment Program established pursuant to Chapter 5.5 (commencing with Section 50606) of Part 2. Any funds not encumbered for the purposes of this paragraph by November 3, 2036, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2.

(4) Two hundred million dollars ($200,000,000) to be appropriated by the Legislature, to a program to fund the acquisition and rehabilitation of unrestricted

housing units and attach long-term affordability restrictions on the housing units, while safeguarding against the displacement of current residents. Any funds not allocated by the administering entity within the first three years shall be made available by the administering entity for the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2).

(5) Six hundred million dollars ($600,000,000) to be deposited into the Self-Help Housing Fund established pursuant to Section 50697.1. The moneys in the fund shall be available for the CalHome Program authorized by Chapter 6 (commencing with Section 50650) of Part 2, to provide direct, forgivable loans to assist development projects involving multiple home ownership units, including single-family subdivision, for self-help mortgage assistance programs, and for manufactured homes. These funds may also be expended for any authorized purpose of the program. Any funds not encumbered for the purposes of this paragraph by November 3, 2036, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2.

(6) Five hundred million dollars ($500,000,000) to be deposited into the Home Purchase Assistance Fund established pursuant to Section 51342. Notwithstanding Section 13340 of the Government Code and Section 50697.1, these funds are hereby continuously appropriated to the California Housing Finance Agency without regard to fiscal years, for purposes of the home purchase assistance program established pursuant to Chapter 6.8 (commencing with Section 51341) of Part 3.

(7) Four hundred fifty million dollars ($450,000,000) to be deposited into the Joe Serna, Jr. Farmworker Housing Grant Fund, established pursuant to Section 50517.5, to fund grants or loans, or both, for the construction or rehabilitation of housing for agricultural employees and their families or for the acquisition of manufactured housing as part of a program to address and remedy the impact of current and potential displacement of farmworker families from existing labor camps, mobilehome parks, or other housing. These funds may also be expended for any authorized purpose of the program. These funds may also be used to provide technical assistance pursuant to Section 54007. Any funds not encumbered for the purposes of this paragraph by November 3, 2036, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2.

(8) Two hundred million dollars ($200,000,000) to be appropriated by the Legislature, to the Tribal Housing Grant Program established pursuant to Chapter 6.4 (commencing with Section 50651) to finance housing and housing-related activities that will enable tribes to rebuild and reconstitute their communities. Any funds not encumbered for the purposes of this paragraph by November 3, 2036, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2.

(9) Five hundred million dollars ($500,000,000) for the Infill Infrastructure Grant Program of 2019 established pursuant to Section 53559 of the Health and Safety Code for infill incentive grants to assist in the new construction and rehabilitation of infrastructure that supports high-density affordable and mixed-income housing in locations designated as infill. Any funds not encumbered for the purposes of this paragraph by November 3, 2036, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2.

(10) Three hundred fifty million dollars ($350,000,000) to be appropriated by the Legislature for new affordable student housing projects. This funding shall be split evenly among the University of California and the California State University. Funded student housing projects shall meet the terms specified in subdivision (f) of Section 17201 of the Education Code. For these projects, the University of California and California State University shall meet the accountability and reporting requirements specified in subdivisions (i) and (o) of Section 17201 of the Education Code.

(11) Two hundred million dollars ($200,000,000) to be deposited in the Affordable Housing Innovation Fund established pursuant to subparagraph (F) of paragraph (1) of subdivision (a) of Section 53545. Moneys in the fund shall be available, upon appropriation by the Legislature, pursuant to the Local Housing Trust Fund Matching Grant Program established pursuant to Section 50842.2 to fund competitive grants or loans to local housing trust funds that develop, own, lend, or invest in affordable housing and be used to create pilot programs to demonstrate innovative, cost-saving approaches to creating or preserving affordable housing. Local housing trust funds shall be derived on an ongoing basis from private contribution or governmental sources that are not otherwise restricted in use for housing programs. These funds may also be expended for any authorized purpose of this program. Any funds not encumbered for the purposes of this paragraph within three years of availability shall be reverted for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, unless the Department of Housing and Community Development determines that the funds should revert sooner due to diminished demand.

(12) Notwithstanding paragraphs (1) to (11), inclusive, the Business, Consumer Services, and Housing Agency or its successor and its administering departments may, upon appropriation by the Legislature, align or streamline the programs funded pursuant to this subdivision to improve efficiency and accelerate the deployment of funds, provided that expenditures remain consistent with the purposes and eligible uses approved by the voters and the Legislature.

54056. (a) The Legislature may, from time to time, amend any law related to programs to which funds are, *or have been, allocated pursuant to this chapter for the purposes of improving the efficiency and effectiveness of those programs or to further the goals of those programs.*

(b) The Legislature may amend this chapter in order to reallocate the proceeds of bonds issued and sold pursuant to this part among the programs to which funds are to be allocated pursuant to this chapter as necessary to effectively promote the development of affordable housing in this state.

(c) The Department of Housing and Community Development or administering entity may disburse any funds made available to housing development projects pursuant to this chapter during the construction period.

Chapter 3. Fiscal Provisions

54060. Bonds in the total amount of ten billion dollars ($10,000,000,000), exclusive of refunding bonds issued pursuant to Section 54076, or so much thereof as is necessary as determined by the committee, are hereby authorized to be issued and sold for carrying out the purposes expressed in this part and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. Any bond, when sold, issued, and delivered, shall be and constitute a valid and binding general obligation of the state, and the full faith and credit of the state is hereby pledged for the punctual payment of both principal of, and interest on, those bonds as the principal and interest become due and payable.

54062. The bonds authorized by this part shall be prepared, executed, issued, sold, paid, retired, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), except subdivisions (a) and (b) of Section 16727 of the Government Code, and all of the provisions of that law as amended from time to time apply to the bonds and to this part, except as provided in Section 54078, and are hereby incorporated in this part as though set forth in full in this part.

54064. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this part, the Housing Finance Committee created by Section 53524 is continued in existence. For the purposes of this part, the Housing Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law.

(b) References to the "board" as used in this part and in the State General Obligation Bond Law, shall mean the Housing Development and Finance Committee. This authority may be delegated to the Department of Housing and Community Development or the California Housing Finance Agency for programs they administer. The Department of Housing and Community Development is designated the "board" for programs administered by the department, and the California Housing Finance Agency is the "board" for programs administered by the agency.

54066. Upon request of the board stating that funds are needed for purposes of this part, the committee shall determine by resolution whether or not it is necessary or desirable to issue and sell bonds, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time. Bonds may bear interest subject to federal income tax.

54068. There shall be collected annually, in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in the amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collections of state revenues to do and perform each and every act that is necessary to collect that additional sum.

54070. Notwithstanding Section 13340 of the Government Code, there is hereby continuously appropriated from the General Fund in the State Treasury, for the purposes of this part, an amount that will equal the total of both of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this part, as the principal and interest become due and payable.

(b) The sum that is necessary to carry out Section 54074, appropriated without regard to fiscal years.

54072. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for purposes of this part. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold, excluding any refunding bonds authorized pursuant to Section 54076, less any amount loaned pursuant to this section and not yet repaid and any amount withdrawn from the General Fund pursuant to Section 54074 and not yet returned to the General Fund. The board shall execute any documents as required by the Pooled Money Investment Board to obtain and repay the loan. Any amount loaned shall be deposited into the fund to be allocated in accordance with this part.

54074. For purposes of carrying out this part, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold, excluding any refunding bonds authorized pursuant to Section 54076, less any amount loaned pursuant to Section 54072 and not yet repaid and any amount withdrawn from the General Fund pursuant to this section and not yet returned to the General Fund. Any amounts withdrawn shall be deposited into the fund to be allocated in accordance with this part. Any moneys made available under this section shall be returned to the General Fund, plus the interest that the amounts would have *earned in the Pooled Money Investment Account, from moneys received from the sale of bonds that would otherwise be deposited into that fund.*

54076. The bonds issued and sold pursuant to this part may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. Approval by the voters of the sale and issuance of bonds as described in this part includes approval of the sale and issuance of bonds issued to refund bonds issued pursuant to this part, including any prior issued refunding bonds. A bond refunded with the proceeds of a refunding bond as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing that refunded bond.

54076.5. Proceeds of the bonds, in an amount not to exceed the principal amount of bonds authorized to be issued by the Veterans and Affordable Housing Bond Act of 2026 (excluding any refunding bonds issued pursuant to Section 54076), are expected to be and may be used to reimburse any lawfully available source used to pay costs of projects or programs (including funds of particular state departments or agencies that may be spent on costs of the projects or programs) authorized pursuant to the Veterans and Affordable Housing Bond Act of 2026 and paid after November 3, 2026, provided, however, any costs that are to be reimbursed from proceeds of bonds shall not have been paid from the proceeds of any other indebtedness unless that prior indebtedness will be retired with the proceeds of the bonds.

54077. To implement the funding detailed in Section 54054, the administering entity may adopt guidelines establishing requirements for administration of its financing programs. The guidelines are not subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

54078. Notwithstanding any provisions in the State General Obligation Bond Law, the maturity date of any bond authorized by this part shall not be later than 35 years from the date of issuance of the bond.

54080. The proceeds from the sale of bonds authorized by this part are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, and the disbursement of these proceeds is not subject to the limitations imposed by that article.

54082. Notwithstanding any provision of the State General Obligation Bond Law with regard to the proceeds from the sale of bonds authorized by this part that are subject to investment under Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code, the Treasurer may maintain a separate account for investment earnings.

54083. Notwithstanding any other provision of this part, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions or is otherwise entitled to any federal tax advantage, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the earnings and investment of earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

54084. (a) Subject to subdivision (b), all moneys derived from premiums and accrued interest on bonds sold pursuant to this part shall be transferred to the General Fund as a credit to expenditures for bond interest.

(b) Amounts derived from premiums may be reserved and used to pay the costs of bond issuance before transfer to the General Fund.

Chapter 4. Accountability

54088. The administering entity shall publish in an annual report detailed information regarding the investments resulting from this bond pursuant to Section 50408 of the Health and Safety Code.

SEC. 3. Article 5ab (commencing with Section 998.750) is added to Chapter 6 of Division 4 of the Military and Veterans Code, to read:

Article 5ab. The Veterans and Affordable Housing Bond Act of 2026

998.750. Together with Part 16.1 (commencing with Section 54050) of Division 31 of the Health and Safety Code, this article shall be known, and may be cited, as the Veterans and Affordable Housing Bond Act of 2026.

998.751. (a) (1) The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), as it may be amended from time to time, is adopted for the purpose of the preparation, execution, issuance, sale, retirement, redemption, and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this article, and the provisions of that law are included in this article, as though set out in full in this article, except for both of the following:

(A) Subdivisions (a) and (b) of Section 16727 and subdivision (a) of Section 16755 of the State General Obligation Bond Law shall not apply.

(B) Paragraph (1) of subdivision (c) of Section 16753 of the State General Obligation Bond Law shall be replaced in full by the following: "The Treasurer shall require that a successful bidder in a competitive sale or underwriter in a negotiated sale provide a good faith deposit of at least one-half of 1 percent of the principal amount of the bonds for which the bidder is the successful bidder or for which an underwriter submits a proposal. The good faith deposit shall be in the amount that is

reasonably determined by the Treasurer at least one day prior to a competitive sale or negotiated sale of bonds, as applicable. The Treasurer shall specify the form of the deposit, which may be a cashier's check, a surety bond, a wire transfer of funds, or a combination thereof. The deposit shall not bear interest."

(2) All references in this article to "herein" refer both to this article and that law as incorporated herein.

(b) For purposes of the State General Obligation Bond Law, the Department of Veterans Affairs is designated the "board."

998.752. As used herein, the following terms have the following meanings:

(a) "Board" means the Department of Veterans Affairs.

(b) "Bond" means a veterans bond, a state general obligation bond, issued pursuant to this article adopting the provisions of the State General Obligation Bond Law as provided herein.

(c) "Bond act" means this article authorizing the issuance of state general obligation bonds and adopting the State General Obligation Bond Law by reference.

(d) "Committee" means the Veterans' Finance Committee of 1943 established by Section 991.

(e) "Fund" means the Veterans' Farm and Home Building Fund of 1943 established by Section 988.

(f) "Payment Fund" means the Veterans' Bonds Payment Fund established by Section 988.6.

998.753. For the purpose of creating a fund to provide farm and home aid for veterans in accordance with the Veterans' Farm and Home Purchase Act of 1974 (Article 3.1 (commencing with Section 987.50)), and of all acts amendatory thereof and supplemental thereto, the committee may create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of not more than one billion two hundred fifty million dollars ($1,250,000,000), not including the amount of any refunding bonds issued in accordance with Section 998.762, in the manner provided herein.

998.754. (a) All bonds authorized by this article, when sold, issued, and delivered, shall be and constitute a valid and legally binding general obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of and interest on the bonds as the principal and interest become due and payable.

(b) There shall be collected annually, in the same manner and at the same time as other state revenue is collected, the sum, in addition to the ordinary revenues of the state, as is required to pay the principal of, and interest on, these bonds becoming due and payable each year. It is the duty of all officers charged by law with any duty in regard to the collection of state revenues to do and perform each and every act that is necessary to collect that additional sum.

(c) On the dates on which funds are to be remitted pursuant to Section 16676 of the Government Code for the payment of debt service on the bonds in each fiscal year, there shall be transferred to the Payment Fund to pay the debt service all of the moneys in the fund, not in excess of the amount of debt service then due and payable. If the moneys transferred on the remittance dates is less than the debt service then due and payable, the balance remaining unpaid shall be transferred to the General Fund out of the fund as soon as it shall become available, together with interest thereon from the remittance date until paid, at the same rate of interest as borne by the bonds, compounded semiannually. Notwithstanding any other provision of law to the contrary, this subdivision shall apply to all veterans' farm and home purchase bond acts pursuant to this chapter. This subdivision does not grant any lien on the fund, the Payment Fund, or the moneys therein to the holders of any bonds issued under this article. For the purposes of this subdivision, "debt service" means the principal (whether due at maturity, by redemption, or acceleration), premium, if any, or interest payable on any date with respect to any series of bonds. This subdivision shall not apply, however, in the case of any debt service that is payable from the proceeds of any refunding bonds.

998.755. Notwithstanding Section 13340 of the Government Code, there is hereby continuously appropriated from the General Fund in the State Treasury, for purposes of this article, without regard to fiscal year, a sum of moneys that will equal both of the following:

(a) That sum annually necessary to pay the principal of, and the interest on, the bonds issued and sold as provided herein, as that principal and interest become due and payable.

(b) That sum necessary to carry out Section 998.756.

998.756. For the purposes of this article, the Director of Finance may authorize the withdrawal from the General Fund of a sum of moneys not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold pursuant to this article, excluding any refunding bonds authorized pursuant to Section 998.762, less any amount loaned pursuant to Section 998.757 and not yet repaid and any amount withdrawn pursuant to this section and not yet returned to the General Fund. Any sums withdrawn shall be deposited into the fund. Any moneys made available under this section to the board shall be returned by the board to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from the sale of bonds for the purpose of carrying out this article.

998.757. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out this article, less any amount withdrawn pursuant to Section 998.756 and not yet returned to the General Fund. The amount of the request shall not exceed the amount of unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this article, excluding any refunding bonds authorized pursuant to Section

998.762, less any amount loaned pursuant to this section and not yet repaid and any amount withdrawn pursuant to Section 998.756 and not yet returned to the General Fund. The board shall execute whatever documents are required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited into the fund to be allocated by the board in accordance with this article.

998.758. Upon request of the board, supported by a statement of its plans and projects approved by the Governor, the committee shall determine by resolution whether or not it is necessary or desirable to issue any bonds authorized pursuant to this article in order to carry out the board's plans and projects, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out these plans and projects, progressively, and it is not necessary that all the bonds be issued or sold at any one time.

998.759. (a) As long as any bonds authorized pursuant to this article are outstanding, the Secretary of Veterans Affairs shall, at the close of each fiscal year, require a survey of the financial condition of the Division of Farm and Home Purchases, together with a projection of the division's operations, to be made by an independent public accountant of recognized standing. The results of each survey and projection shall be reported in writing by the public accountant to the Secretary of Veterans Affairs, the California Veterans Board, the appropriate policy committees dealing with veterans affairs in the Senate and the Assembly, and the committee.

(b) The Division of Farm and Home Purchases shall reimburse the public accountant for these services out of any moneys that the division may have available on deposit with the Treasurer.

998.760. (a) The Treasurer shall issue and sell the bonds authorized by this article in the amount determined by the committee to be necessary and desirable pursuant to Section 998.758. The bonds shall be issued and sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 16731 of the Government Code.

(b) Whenever the committee deems it necessary for an effective sale of the bonds, the committee may authorize the Treasurer to sell any issue of bonds at less than their par value, notwithstanding Section 16754 of the Government Code. However, the discount on the bonds shall not exceed 3 percent of the par value thereof.

998.761. Out of the first moneys realized from the sale of bonds as provided herein, there shall be redeposited into the General Obligation Bond Expense Revolving Fund, established by Section 16724.5 of the Government Code, the amount of all expenditures made for the purposes specified in that section, and the moneys may be used for the same purpose and repaid in the same manner whenever additional bond sales are made. All moneys deposited in the fund that are derived from premium and accrued interest on bonds sold pursuant to this article shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest, except that amounts derived from premium may be reserved and used to pay costs of bond issuance prior to any transfer to the General Fund.

998.762. Any bonds issued and sold pursuant to this article may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. The approval of the voters for the issuance of bonds pursuant to this article includes approval for the issuance of bonds issued to refund bonds originally issued under this article or any previously issued refunding bonds. Any bond refunded with the proceeds of refunding bonds as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing that refunded bond.

998.763. Notwithstanding any provision of the State General Obligation Bond Law or this article, if the Treasurer sells bonds pursuant to this article for which bond counsel has issued an opinion to the effect that the interest on the bonds is excludable from gross income for purposes of federal income tax purposes, subject to any conditions that may be designated, or otherwise entitled to any federal tax advantage, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the earnings on those proceeds, and may use or direct those proceeds or earnings to pay any rebate, penalty, or other payment required by federal law or take any other action with respect to the investment and use of bond proceeds required or permitted pursuant to federal law necessary or desirable to maintain the tax-exempt status of the bonds or to obtain any other advantage pursuant to federal law on behalf of the funds of this state.

998.764. The proceeds from the sale of bonds authorized by this article are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, and the disbursement of these proceeds is not subject to the limitations imposed by Article XIII B. "Declaration of Intent" proceeds of the bonds, in an amount not to exceed the principal amount of bonds authorized to be issued by this article (excluding any refunding bonds issued pursuant to Section 998.762), are expected to be and may be used to reimburse any lawfully available source used to pay costs of projects or programs (including funds of particular state departments or agencies that may be spent on costs of those projects or programs) authorized pursuant to this article and paid after November 3, 2026, provided, however, any costs that are to be reimbursed from proceeds of bonds shall not have been paid from the proceeds of any other indebtedness unless that prior indebtedness will be retired with the proceeds of the bonds.

PROPOSITION 2

This amendment proposed by Assembly Constitutional Amendment 20 of the 2025–2026 Regular Session (Resolution Chapter 130, Statutes of 2026) expressly amends the California Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENTS TO ARTICLE XVI

First—(a) This measure shall be known, and may be cited, as the Save for California's Future Act.

(b) The Legislature finds and declares all of the following:

(1) California families understand that responsible financial planning requires setting aside savings during good times to prepare for unexpected challenges and economic downturns. The State of California should follow the same commonsense principle.

(2) Californians expect their government to manage public finances responsibly, prudently, and with an eye toward future generations. Maintaining adequate reserves helps ensure that essential public services remain available when they are needed most.

(3) California's economy is among the largest and most dynamic in the world, but it is also subject to economic cycles, fluctuations in revenue, natural disasters, public health emergencies, and other unforeseen events that can place significant strain on the state budget.

(4) When state revenues decline during economic downturns, insufficient reserves can force difficult choices that disrupt essential programs and services relied upon by California families, students, seniors, veterans, workers, and businesses.

(5) Building and maintaining strong budget reserves during periods of economic growth helps protect Californians from sudden reductions in essential services and reduces the need for drastic corrective actions during periods of fiscal stress.

(6) Sound financial planning requires looking beyond the next fiscal year and preparing for future challenges before they arise. Just like families save for emergencies and unexpected expenses, California should save during good years to protect schools, public safety, and essential services during tough times.

(7) Strong reserve policies promote fiscal stability, improve public confidence in state government, support long-term economic growth, and help preserve California's ability to respond effectively to emergencies and economic downturns.

(8) Proposition 98 was enacted by the voters in 1988 to provide a minimum funding level for schools. Nothing in this act is intended to change the calculation or funding of the minimum guarantee under Section 8 of Article XVI.

(c) It is therefore the intent of the Legislature to strengthen the state's commitment to responsible budgeting, long-term financial planning, and prudent savings by enhancing California's budget reserves and ensuring that the state is better prepared for future economic challenges. Strengthening reserves is an investment in California's future and in future generations.

Second—That Section 20 of Article XVI thereof is amended to read:

SEC. 20. (a) (1) *(A)* The Budget Stabilization Account is hereby created in the General Fund.

(B) Balances deposited in the Budget Stabilization Account pursuant to paragraph (2) of this subdivision (a) and subdivisions (c) and (d) prior to the effective date of the measure adding this subparagraph shall remain in the account and shall be transferred, withdrawn, or adjusted thereafter pursuant to the provisions of this Constitution as amended by the measure adding this subparagraph.

(2) For the ~~2015–16~~ *2027–28* fiscal year and each fiscal year thereafter, based on the Budget Act for the fiscal year, the Controller shall transfer from the General Fund to the Budget Stabilization Account, no later than October 1, a sum equal to 1.5 percent of the estimated amount of General Fund revenues for that fiscal year.

(b) (1) For the ~~2015–16~~ *2027–28* fiscal year and each fiscal year thereafter, based on the Budget Act for the fiscal year, the Department of Finance shall provide to the Legislature all of the following information:

(A) An estimate of the amount of General Fund proceeds of taxes that may be appropriated pursuant to Article XIII B for that fiscal year.

(B) (i) An estimate of that portion of the General Fund proceeds of taxes identified in subparagraph (A) that is derived from personal income taxes paid on net capital gains.

(ii) The sum of the following:

~~(ii)~~ *(I)* The portion of the estimate in clause (i) that ~~exceeds 8 percent of~~ *is in excess of 8 percent, but not in excess of 10 percent, of* the estimate made under subparagraph (A).

(II) One hundred fifty percent of the portion of the estimate in clause (i) in excess of 10 percent of the estimate made under subparagraph (A).

(C) That portion of the state's funding obligation under Section 8 that results from including the amount calculated under clause (ii) of subparagraph (B), if any, as General Fund proceeds of taxes.

(D) The amount of any appropriations described in clause (ii) of subparagraph (B) of paragraph (1) of, or subparagraph (C) of paragraph (2) of, subdivision (c), that are made from the revenues described in clause (ii) of subparagraph (B) of this paragraph.

(E) The amount resulting from subtracting the combined values calculated under subparagraphs (C) and (D) from the value calculated under clause (ii) of subparagraph (B). If less than zero, the amount shall be considered zero for this purpose.

(F) The lesser of the amount calculated under subparagraph (E) or the amount of transfer resulting in the balance in the Budget Stabilization Account reaching the limit specified in subdivision (e).

(2) In the ~~2016–17~~ *2027–28* fiscal year, with respect to the ~~2015–16~~ *2026–27* fiscal year only, and in the ~~2017–18~~ *2028–29* fiscal year and each fiscal year thereafter, separately with respect to each of the two next preceding fiscal years, the Department of Finance shall calculate all of the following, using the same methodology used for the relevant fiscal year, and provide those calculations to the Legislature:

(A) An updated estimate of the amount of General Fund proceeds of taxes that may be appropriated pursuant to Article XIII B.

(B) (i) An updated estimate of that portion of the General Fund proceeds of taxes identified in subparagraph (A) that is derived from personal income taxes paid on net capital gains.

(ii) The sum of the following:

~~(ii)~~ *(I)* That portion of the updated estimate in clause (i) that ~~exceeds 8 percent of~~ *is in excess of 8 percent, but not in excess of 10 percent, of* the updated estimate made under subparagraph (A).

(II) One hundred fifty percent of the portion of the estimate in clause (i) in excess of 10 percent of the estimate made under subparagraph (A).

(C) The updated calculation of that portion of the state's funding obligation under Section 8 that results from including the updated amount calculated under clause (ii) of subparagraph (B), if any, as General Fund proceeds of taxes.

(D) The amount of any appropriations described in clause (ii) of subparagraph (B) of paragraph (1) of, or subparagraph (C) of paragraph (2) of, subdivision (c), that are made from the revenues described in clause (ii) of subparagraph (B) of paragraph (1).

(E) The amount resulting from subtracting the combined values calculated under subparagraphs (C) and (D) from the value calculated under clause (ii) of subparagraph (B). If less than zero, the amount shall be considered zero for this purpose.

(F) The amount previously transferred for the fiscal year by the Controller from the General Fund to the Budget Stabilization Account pursuant to subdivisions (c) and (d).

(G) The lesser of (i) the amount, not less than zero, resulting from subtracting, from the amount calculated under subparagraph (E), the value of any suspension or reduction of transfer pursuant to paragraph (1) of subdivision (a) of Section 22 previously approved by the Legislature for the relevant fiscal year, and the amount previously transferred for that fiscal year by the Controller as described in subparagraph (F), or (ii) the amount of transfer resulting in the balance in the Budget Stabilization Account reaching the limit as specified in subdivision (e).

(c) (1) (A) By October 1 of the ~~2015–16~~ *2027–28* fiscal year and each fiscal year thereafter to the ~~2029–30~~ *2039–40* fiscal year, inclusive, based on the estimates set forth in the annual Budget Act pursuant to paragraphs (2) and (3) of subdivision (h), and the sum identified in paragraph (2) of subdivision (a), the Controller shall transfer amounts from the General Fund and the Budget Stabilization Account, pursuant to a schedule provided by the Director of Finance, as provided in subparagraph (B).

(B) Notwithstanding any other provision of this section, in the fiscal year to which the Budget Act identified in subparagraph (A) applies:

(i) Fifty percent of both the amount identified in paragraph (2) of subdivision (a), and the amount resulting from subtracting the value calculated under subparagraph (C) of paragraph (1) of subdivision (b) from the value calculated under clause (ii) of subparagraph (B) of paragraph (1) of subdivision (b), shall be transferred from the General Fund to the Budget Stabilization Account.

(ii) The remaining 50 percent shall be appropriated by the Legislature for one or more of the following obligations and purposes:

(I) Unfunded prior fiscal year General Fund obligations pursuant to Section ~~8 that existed on July 1, 2014.~~ *8.*

(II) Budgetary loans to the General Fund, from funds outside the General Fund, ~~that had outstanding balances on January 1, 2014.~~ *as well as earlier than scheduled recognition of the costs of loans made to the Medical Providers Interim Payment Fund and earlier than scheduled recognition of costs described in paragraph (1) of subdivision (c) of Section 41206.04 of the Education Code.*

(III) Payable claims for mandated costs incurred prior to the 2004–05 fiscal year that have not yet been paid, and that pursuant to paragraph (2) of subdivision (b) of Section 6 of Article XIII B are permitted to be paid over a term of years, as prescribed by law.

(IV) Unfunded liabilities for state-level pension plans and prefunding other postemployment benefits, in excess of current base amounts as established for the fiscal year in which the funds would otherwise be transferred to the Budget Stabilization Account. For the purpose of this subclause, current base amounts are those required to be paid pursuant to law, an approved memorandum of understanding, benefit schedules established by the employer or entity authorized to establish those contributions for employees excluded or exempted from collective bargaining, or any combination of these. To qualify under this subclause, the appropriation shall supplement and not supplant funding that would otherwise be made available to pay for the obligations described in this subclause for the fiscal year or the subsequent fiscal year.

(V) Federal loans made to the Unemployment Fund.

(iii) If the amount appropriated pursuant to clause (ii) exceeds the total amount of the obligations and purposes described in clause (ii), the remainder shall be transferred to the Budget Stabilization Account, except that any such transfer is subject to the limitation in subdivision (e).

(2) (A) By October 1 of the ~~2030–31~~ *2040–41* fiscal year and each fiscal year thereafter, based on the estimates set forth in the annual Budget Act pursuant to paragraphs (2) and (3) of subdivision (h), the Controller shall transfer amounts from the General Fund to the Budget Stabilization Account, pursuant to a schedule provided by the Director of Finance, as provided in subparagraph (B).

(B) In the fiscal year to which the Budget Act identified in subparagraph (A) applies, both the amount identified in paragraph (2) of subdivision (a), and the amount resulting from subtracting the value calculated under subparagraph (C) of paragraph (1) of subdivision (b) from the value calculated under clause (ii) of subparagraph (B) of paragraph (1) of subdivision (b), shall be transferred from the General Fund to the Budget Stabilization Account.

(C) Notwithstanding any other provision of this section, the Legislature may appropriate up to 50 percent of both the amount identified in paragraph (2) of subdivision (a), and of the amount resulting from subtracting the value calculated under subparagraph (C) of paragraph (1) of subdivision (b) from the value calculated under clause (ii) of subparagraph (B) of paragraph (1) of subdivision (b), for one or more of the obligations and purposes described in clause (ii) of subparagraph (B) of paragraph (1).

(3) The transfers described in this subdivision are subject to suspension or reduction pursuant to paragraph (1) of subdivision (a) of Section 22.

(d) By October 1 of the ~~2016–17~~ *2027–28* fiscal year and each fiscal year thereafter, based on the estimates set forth in the annual Budget Act pursuant to paragraphs (4) and (5) of subdivision (h), the Controller shall transfer amounts between the General Fund and the Budget Stabilization Account pursuant to a schedule provided by the Director of Finance, as follows:

(1) If the amount in subparagraph (G) of paragraph (2) of subdivision (b) is greater than zero, transfer that amount from the General Fund to the Budget Stabilization Account, subject to any suspension or reduction of this transfer pursuant to paragraph (1) of subdivision (a) of Section 22.

(2) If the amount described in subparagraph (F) of paragraph (2) of subdivision (b) is greater than the amount calculated under subparagraph (E) of paragraph (2) of subdivision (b), transfer that excess amount from the Budget Stabilization Account back to the General Fund.

(e) Notwithstanding any other provision of this section, the amount of a transfer to the Budget Stabilization Account pursuant to paragraph (2) of subdivision (a) and subdivisions (c) and (d) for any fiscal year shall not exceed an amount that would result in a balance in the account that, when the transfer is made, exceeds ~~10~~ *20* percent of the amount of General Fund proceeds of taxes for the fiscal year estimated pursuant to subdivision (b). For any fiscal year, General Fund proceeds of taxes that, but for this paragraph, would have been transferred to the Budget Stabilization Account may be expended only for infrastructure, as defined by Section 13101 of the Government Code, as that section read on January 1, 2014, including deferred maintenance thereon.

(f) The funds described in subdivision (b) as General Fund proceeds of taxes are General Fund proceeds of taxes for purposes of Section 8 for the fiscal year to which those proceeds are attributed, but are not deemed to be additional General Fund proceeds of taxes on the basis that the funds are thereafter transferred from the Budget Stabilization Account to the General Fund.

(g) The Controller may utilize funds in the Budget Stabilization Account, that he or she determines to currently be unnecessary for the purposes of this section, to help manage General Fund daily cashflow needs. Any use pursuant to this subdivision shall not interfere with the purposes of the Budget Stabilization Account.

(h) The annual Budget Act shall include the estimates described in all of the following:

(1) Paragraph (2) of subdivision (a).

(2) Clause (ii) of subparagraph (B) of paragraph (1) of subdivision (b).

(3) Subparagraph (F) of paragraph (1) of subdivision (b).

(4) Clause (ii) of subparagraph (B) of paragraph (2) of subdivision (b).

(5) Subparagraph (G) of paragraph (2) of subdivision (b).

(i) Notwithstanding Section 5 of Article XIII B, for the 2027–28 fiscal year and each fiscal year thereafter, transfers to the Budget Stabilization Account shall not constitute "appropriations subject to limitation" for purposes of Article XIII B. For the 2027–28 fiscal year and each fiscal year thereafter, funds withdrawn or transferred from the Budget Stabilization Account that were not counted previously as "appropriations subject to limitation" for purposes of Article XIII B shall constitute "appropriations subject to limitation" for purposes of Article XIII B in the fiscal year in which they are withdrawn from the Budget Stabilization Account or returned to the General Fund.

(j) As a complement to the Budget Stabilization Account, the Projected Surplus Temporary Holding Account established in Section 16418.7 of the Government Code, or any successor to that account, shall be an added responsible budgeting technique to counter tax revenue volatility. Notwithstanding Section 5 of Article XIII B, for the 2027–28 fiscal year and each

fiscal year thereafter, when a transfer is made to the Projected Surplus Temporary Holding Account pursuant to the annual Budget Act, that transfer shall not constitute "appropriations subject to limitation" for purposes of Article XIII B for that fiscal year, provided that the amount not subject to limitation shall not exceed 10 percent of the amount of General Fund proceeds of taxes for the fiscal year in which the transfer is made. For the 2027–28 fiscal year and each fiscal year thereafter, funds withdrawn or transferred from the Projected Surplus Temporary Holding Account that were not counted previously as "appropriations subject to limitation" for purposes of Article XIII B shall constitute "appropriations subject to limitation" for purposes of Article XIII B in the fiscal year in which they are withdrawn or transferred to the General Fund or any other state fund.

Third—That Section 22 of Article XVI thereof is amended to read:

SEC. 22. (a) Upon the Governor's proclamation declaring a budget emergency and identifying the conditions constituting the emergency, the Legislature may pass a bill that does any of the following:

(1) Suspends or reduces by a specified dollar amount for one fiscal year the transfer of moneys from the General Fund to the Budget Stabilization Account required by Section 20.

(2) (A) Returns funds that have been transferred to the Budget Stabilization Account pursuant to Section 20 to the General Fund for appropriation to address the budget emergency.

(B) Not more than 50 percent of the balance in the Budget Stabilization Account may be returned to the General Fund for appropriation pursuant to subparagraph (A) in any fiscal year, unless funds in the Budget Stabilization Account have been returned to the General Fund for appropriation in the immediately preceding fiscal year.

(3) Suspends or reduces by a specified dollar amount for one fiscal year the transfer of moneys from the General Fund to the Public School System Stabilization Account required by Section 21.

(4) Appropriates funds transferred to the Public School System Stabilization Account pursuant to Section 21 and allocates those funds for the support of school districts and community college districts.

(b) For purposes of this section, "budget emergency" means any of the following:

(1) An emergency declared by the Governor, within the meaning of paragraph (2) of subdivision (c) of Section 3 of Article XIII B.

(2) (A) A determination by the Governor that estimated resources are inadequate to fund General Fund expenditures for the current or ensuing fiscal year, after setting aside funds for the reserve for liquidation of encumbrances, at a level equal to the highest amount of total General Fund expenditures estimated at the time of enactment of any of the three most recent Budget Acts, adjusted for both of the following:

(i) The annual percentage change in the cost of living for the State, as measured by the California Consumer Price Index.

(ii) The annual percentage growth in the civilian population of the State pursuant to subdivision (b) of Section 7901 of the Government Code.

(B) The maximum amount that may be withdrawn for a budget emergency determined under this paragraph shall not exceed either an amount that would result in a total General Fund expenditure level for a fiscal year that is greater than the highest amount of total General Fund expenditures estimated at the time of enactment of any of the three most recent Budget Acts, as calculated pursuant to subparagraph (A), or any limit imposed by subparagraph (B) of paragraph (2) of subdivision (a).

(c) If the conditions required for the Governor to declare a budget emergency pursuant to subdivision (b) exist, the proposed adjustments to the Governor's Budget submitted to the Legislature by the Director of Finance pursuant to subdivision (e) of Section 13308 of the Government Code, or any other budgetary revision required to be submitted to the Legislature by a successor statute, shall constitute the Governor's proclamation of the budget emergency if the revision proposes either of the following:

(1) A suspension or reduction of transfers of money from the General Fund to the Budget Stabilization Account or the Public School System Stabilization Account.

(2) The return of money from the Budget Stabilization Account to the General Fund pursuant to this section or an appropriation from the Public School System Stabilization Account pursuant to this section.

PROPOSITION 3

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure amends a section of the California Constitution; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

The California Children's Education and Health Care Protection Act of 2026

SECTION 1. Title.

This measure shall be known and may be cited as "The California Children's Education and Health Care Protection Act of 2026."

SEC. 2. Findings.

(a) In 2012, California voters passed a tax increase on high-income earners—the top 2%—to fund critical state services and stave off extreme cuts to public education brought on by the fiscal challenges of the Great Recession. These tax rates were extended by the voters in 2016, with 63% voting yes. Since its initial passage, this tax measure has raised more than $104 billion for schools and other essential services. It is a foundational part of the state budget and the state Rainy Day Fund.

(b) This high-earner income tax has allowed the state to make important investments in the education and health of our children and has helped California's public school system become more competitive among the 50 states. In 2012, California ranked in the bottom 10 among the states in school spending. Today, with these revenues, California has made real progress in school spending. Our state now provides free school meals; free transitional kindergarten to all four-year-olds; free before-and-after school care for younger elementary students; and community services in many school districts.

(c) Unless the tax is extended by the voters, it will expire in 2030. That would result in an immediate reduction to state revenues of over $10 billion and devastating cuts to schools, children's health care, and other essential services. It would reverse the gains our schools have made since the initial passage of the high-earner income tax in 2012.

(d) This measure does not increase taxes on couples earning less than $680,000 or individuals earning less than $340,000, in today's dollars. It does not change the existing tax rates, which have remained the same since this tax measure was first enacted in 2012.

(e) This is not the time to be giving the wealthiest people in California a tax cut that they don't need and that our schools and communities can't afford. Maintaining this tax on high earners helps ensure that California children receive the education and health care they need to thrive and achieve their highest potential, while allowing this tax to expire would require major cuts to the education and health of our next generation.

(f) California's future depends on the success of its over 9 million children. Every California child deserves a fair chance to become a successful adult. But for children to succeed as adults, they must have access to high quality education and health care.

(g) For children, education and health care are essential and dependent on one another. Access to a quality education is fundamental to the success of California's children. Even with adequate schools, children cannot obtain an education if illness prevents them from attending. And children growing up in communities without adequate health care are more likely to contract illnesses or have chronic medical conditions that prevent them from regularly attending school.

(h) Research shows that early access to quality education and health care improves children's chances of succeeding in school and in life. This tax on high earners helps ensure that California children receive the education and health care they need to thrive and achieve their highest potential.

(i) The income tax revenue is guaranteed in the California Constitution to go directly to local school districts and community colleges. State funding is freed up to help balance the budget and provide for a Rainy Day Fund to prevent cuts to health care for children and their families; services for seniors, working families, and small business owners; wildfire prevention; and other critical needs even when revenues decline. Everyone benefits.

(j) To ensure all these funds go only where the voters intend, they are put in a special fund that the Legislature cannot divert to other purposes. None of these revenues can be spent on state bureaucracy or administrative costs.

(k) These funds are subject to an independent audit every year to ensure they are spent only for the purposes set forth in this measure. Elected officials will be subject to prosecution and criminal penalties if they misuse the funds.

(*l*) This measure helped build and will sustain the state's Rainy Day Fund. California has seen massive budget swings over the past 15 years, with good years often followed by deep deficits and devastating cuts. Maintaining the state's Rainy Day Fund has helped protect our children, seniors, and disabled Californians from cuts in school and health care funding during economic downturns.

(m) Federal budget cuts will have a huge impact on low-income Californians, and especially on our children. But federal tax laws are giving huge tax breaks to wealthy taxpayers. Maintaining this existing tax on high-earning Californians is essential to protecting our schools and our school children.

SEC. 3. Purpose and Intent.

(a) The chief purpose and intent of the voters in enacting this measure is to avoid harmful cuts that would reduce the quality of education and instruction in California's local public schools, and to provide adequate funding for essential health care services for children and their family members.

(b) This measure is intended to protect our children by extending current income tax rates on wealthy Californians. Instead of sending money back into the pockets of the wealthy, this measure sends the money to a special account that must be spent exclusively to ensure that every California child has access to a quality public education. This frees up state funding to provide health care for children and fund other essential services.

(c) This measure guarantees in the Constitution that the revenues it raises for schools will be sent directly to school districts and community colleges for classroom expenses, not administrative costs. This school funding cannot be suspended or withheld no matter what happens with the state budget.

(d) All revenues from this measure are subject to local audit every year, and audit by the independent Controller to ensure that they will be used only for the purposes set forth in this measure.

SEC. 4. Section 36 of Article XIII of the California Constitution is amended to read:

SEC. 36. (a) For purposes of this section:

(1) "Public Safety Services" includes the following:

(A) Employing and training public safety officials, including law enforcement personnel, attorneys assigned to criminal proceedings, and court security staff.

(B) Managing local jails and providing housing, treatment, and services for, and supervision of, juvenile and adult offenders.

(C) Preventing child abuse, neglect, or exploitation; providing services to children and youth who are abused, neglected, or exploited, or who are at risk of abuse, neglect, or exploitation, and the families of those children; providing adoption services; and providing adult protective services.

(D) Providing mental health services to children and adults to reduce failure in school, harm to self or others, homelessness, and preventable incarceration or institutionalization.

(E) Preventing, treating, and providing recovery services for substance abuse.

(2) "2011 Realignment Legislation" means legislation enacted on or before September 30, 2012, to implement the state budget plan, that is entitled 2011 Realignment and provides for the assignment of Public Safety Services responsibilities to local agencies, including related reporting responsibilities. The legislation shall provide local agencies with maximum flexibility and control over the design, administration, and delivery of Public Safety Services consistent with federal law and funding requirements, as determined by the Legislature. However, 2011 Realignment Legislation shall include no new programs assigned to local agencies after January 1, 2012, except for the early periodic screening, diagnosis, and treatment (EPSDT) program and mental health managed care.

(b) (1) Except as provided in subdivision (d), commencing in the 2011–12 fiscal year and continuing thereafter, the following amounts shall be deposited into the Local Revenue Fund 2011, as established by Section 30025 of the Government Code, as follows:

(A) All revenues, less refunds, derived from the taxes described in Sections 6051.15 and 6201.15 of the Revenue and Taxation Code, as those sections read on July 1, 2011.

(B) All revenues, less refunds, derived from the vehicle license fees described in Section 11005 of the Revenue and Taxation Code, as that section read on July 1, 2011.

(2) On and after July 1, 2011, the revenues deposited pursuant to paragraph (1) shall not be considered General Fund revenues or proceeds of taxes for purposes of Section 8 of Article XVI of the California Constitution.

(c) (1) Funds deposited in the Local Revenue Fund 2011 are continuously appropriated exclusively to fund the provision of Public Safety Services by local agencies. Pending full implementation of the 2011 Realignment Legislation, funds may also be used to reimburse the State for program costs incurred in providing Public Safety Services on behalf of local agencies. The methodology for allocating funds shall be as specified in the 2011 Realignment Legislation.

(2) The county treasurer, city and county treasurer, or other appropriate official shall create a County Local Revenue Fund 2011 within the treasury of each county or city and county. The money in each County Local Revenue Fund 2011 shall be exclusively used to fund the provision of Public Safety Services by local agencies as specified by the 2011 Realignment Legislation.

(3) Notwithstanding Section 6 of Article XIII B, or any other constitutional provision, a mandate of a new program or higher level of service on a local agency imposed by the 2011 Realignment Legislation, or by any regulation adopted or any executive order or administrative directive issued to implement that legislation, shall not constitute a mandate requiring the State to provide a subvention of funds within the meaning of that section. Any requirement that a local agency comply with Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code, with respect to performing its Public Safety Services responsibilities, or any other matter, shall not be a reimbursable mandate under Section 6 of Article XIII B.

(4) (A) Legislation enacted after September 30, 2012, that has an overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation shall apply to local agencies only to the extent that the State provides annual funding for the cost increase. Local agencies shall not be obligated to provide programs or levels of service required by legislation, described in this subparagraph, above the level for which funding has been provided.

(B) Regulations, executive orders, or administrative directives, implemented after October 9, 2011, that are not necessary to implement the 2011 Realignment Legislation, and that have an overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation, shall apply to local agencies only to the extent that the State provides annual funding for the cost increase. Local agencies shall not be obligated to provide programs or levels of service pursuant to new regulations, executive orders, or administrative directives, described in this subparagraph, above the level for which funding has been provided.

(C) Any new program or higher level of service provided by local agencies, as described in subparagraphs (A) and (B), above the level for which funding has been provided, shall not require a subvention of funds by the

State nor otherwise be subject to Section 6 of Article XIII B. This paragraph shall not apply to legislation currently exempt from subvention under paragraph (2) of subdivision (a) of Section 6 of Article XIII B as that paragraph read on January 2, 2011.

(D) The State shall not submit to the federal government any plans or waivers, or amendments to those plans or waivers, that have an overall effect of increasing the cost borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation, except to the extent that the plans, waivers, or amendments are required by federal law, or the State provides annual funding for the cost increase.

(E) The State shall not be required to provide a subvention of funds pursuant to this paragraph for a mandate that is imposed by the State at the request of a local agency or to comply with federal law. State funds required by this paragraph shall be from a source other than those described in subdivisions (b) and (d), ad valorem property taxes, or the Social Services Subaccount of the Sales Tax Account of the Local Revenue Fund.

(5) (A) For programs described in subparagraphs (C) to (E), inclusive, of paragraph (1) of subdivision (a) and included in the 2011 Realignment Legislation, if there are subsequent changes in federal statutes or regulations that alter the conditions under which federal matching funds as described in the 2011 Realignment Legislation are obtained, and have the overall effect of increasing the costs incurred by a local agency, the State shall annually provide at least 50 percent of the nonfederal share of those costs as determined by the State.

(B) When the State is a party to any complaint brought in a federal judicial or administrative proceeding that involves one or more of the programs described in subparagraphs (C) to (E), inclusive, of paragraph (1) of subdivision (a) and included in the 2011 Realignment Legislation, and there is a settlement or judicial or administrative order that imposes a cost in the form of a monetary penalty or has the overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation, the State shall annually provide at least 50 percent of the nonfederal share of those costs as determined by the State. Payment by the State is not required if the State determines that the settlement or order relates to one or more local agencies failing to perform a ministerial duty, failing to perform a legal obligation in good faith, or acting in a negligent or reckless manner.

(C) The state funds provided in this paragraph shall be from funding sources other than those described in subdivisions (b) and (d), ad valorem property taxes, or the Social Services Subaccount of the Sales Tax Account of the Local Revenue Fund.

(6) If the State or a local agency fails to perform a duty or obligation under this section or under the 2011 Realignment Legislation, an appropriate party may seek judicial relief. These proceedings shall have priority over all other civil matters.

(7) The funds deposited into a County Local Revenue Fund 2011 shall be spent in a manner designed to maintain the State's eligibility for federal matching funds, and to ensure compliance by the State with applicable federal standards governing the State's provision of Public Safety Services.

(8) The funds deposited into a County Local Revenue Fund 2011 shall not be used by local agencies to supplant other funding for Public Safety Services.

(d) If the taxes described in subdivision (b) are reduced or cease to be operative, the State shall annually provide moneys to the Local Revenue Fund 2011 in an amount equal to or greater than the aggregate amount that otherwise would have been provided by the taxes described in subdivision (b). The method for determining that amount shall be described in the 2011 Realignment Legislation, and the State shall be obligated to provide that amount for so long as the local agencies are required to perform the Public Safety Services responsibilities assigned by the 2011 Realignment Legislation. If the State fails to annually appropriate that amount, the Controller shall transfer that amount from the General Fund in pro rata monthly shares to the Local Revenue Fund 2011. Thereafter, the Controller shall disburse these amounts to local agencies in the manner directed by the 2011 Realignment Legislation. The state obligations under this subdivision shall have a lower priority claim to General Fund money than the first priority for money to be set apart under Section 8 of Article XVI and the second priority to pay voter-approved debts and liabilities described in Section 1 of Article XVI.

(e) (1) To ensure that public education is not harmed in the process of providing critical protection to local Public Safety Services, the Education Protection Account is hereby created in the General Fund to receive and disburse the revenues derived from the incremental increases in taxes imposed by this section, as specified in subdivision (f).

(2) (A) Before June 30, 2013, and before June 30 of each year *thereafter,* ~~from 2014 to 2030, inclusive,~~ the Director of Finance shall estimate the total amount of additional revenues, less refunds, that will be derived from the incremental increases in tax rates made in subdivision (f) that will be available for transfer into the Education Protection Account during the next fiscal year. The Director of Finance shall make the same estimate by January 10, 2013, for additional revenues, less refunds, that will be received by the end of the 2012–13 fiscal year.

(B) During the last 10 days of the quarter of each of the first three quarters of each fiscal year ~~from~~ *beginning in 2013–14,* ~~2013–14 to 2030–31, inclusive,~~ the Controller shall transfer into the Education Protection Account one-fourth of the total amount estimated pursuant to subparagraph (A) for that fiscal year, except as this amount may be adjusted pursuant to subparagraph (D).

(C) In each ~~of the~~ fiscal ~~years from~~ *year beginning in 2012–13,* ~~2012–13 to 2032–33, inclusive,~~ the Director of Finance shall calculate an adjustment to the Education Protection Account, as specified by subparagraph (D), by adding together the following amounts, as applicable:

(i) In the last quarter of each fiscal year ~~from~~ *beginning in 2012–13,* ~~2012–13 to 2030–31, inclusive,~~ the Director of Finance shall recalculate the estimate made for the fiscal year pursuant to subparagraph (A), and shall subtract from this updated estimate the amounts previously transferred to the Education Protection Account for that fiscal year.

(ii) In June 2015 and in every June *thereafter,* ~~from 2016 to 2033, inclusive,~~ the Director of Finance shall make a final determination of the amount of additional revenues, less refunds, derived from the incremental increases in tax rates made in subdivision (f) for the fiscal year ending two years prior. The amount of the updated estimate calculated in clause (i) for the fiscal year ending two years prior shall be subtracted from the amount of this final determination.

(D) If the sum determined pursuant to subparagraph (C) is positive, the Controller shall transfer an amount equal to that sum into the Education Protection Account within 10 days preceding the end of the fiscal year. If that amount is negative, the Controller shall suspend or reduce subsequent quarterly transfers, if any, to the Education Protection Account until the total reduction equals the negative amount herein described. For purposes of any calculation made pursuant to clause (i) of subparagraph (C), the amount of a quarterly transfer shall not be modified to reflect any suspension or reduction made pursuant to this subparagraph.

(E) Before June 30, 2018, and before June 30 of each year from 2019 to 2030, inclusive, the Director of Finance shall estimate the amount of the additional revenues, less refunds, to be derived in the following fiscal year from the incremental increases in tax rates made in subdivision (f), that, when combined with all other available General Fund revenues, will be required to meet:

(i) The minimum funding guarantee of Section 8 of Article XVI for that following fiscal year; and

(ii) The workload budget for that following fiscal year, excluding any program expenditures already accounted for through clause (i). For purposes of this section, “workload budget” has the meaning set forth in Section 13308.05 of the Government Code, as that section read and was interpreted by the Department of Finance on January 1, 2016, provided, however, that “currently authorized services” shall mean only those services that would have been considered “currently authorized services” under Section 13308.05 of the Government Code as of January 1, 2016.

(F) In order to enhance the ability of all California school children and their families to receive regular, quality health care and thereby minimize school absenteeism due to health-related problems, whenever the Director of Finance estimates that the amount available for transfer into the Education Protection Account during the following fiscal year exceeds the amount of revenues required from that account pursuant to subparagraph (E) for that following fiscal year, the director shall identify the remaining amount. Fifty percent of that remainder, up to a maximum of two billion dollars in any single fiscal year, shall be allocated by the Controller from the Education Protection Account to the California Department of Health Care Services on a quarterly basis to increase funding for the existing health care programs and services described in Chapter 7 (commencing with Section 14000) to Chapter 8.9 (commencing with Section 14700), inclusive, of Part 3 of Division 9 of the Welfare and Institutions Code. The funding shall be used only for critical, emergency, acute, and preventive health care services to children and their families, provided by health care professionals and health facilities that are licensed pursuant to Section 1250 of the Health and Safety Code, and to health plans or others that manage the provision of health care for Medi-Cal beneficiaries that are contracting with the California Department of Health Care Services to provide health benefits pursuant to this section.

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(G) The allocation provided for in subparagraph (F) may be suspended by statute during a fiscal year in which a budget emergency has been declared, provided, however, that the allocation shall not be reduced beyond the proportional reduction in overall General Fund expenditures for that year. For purposes of this section, “budget emergency” has the same meaning as in paragraph (2) of subdivision (b) of Section 22 of Article XVI.

(H) The funding provided pursuant to subparagraph (F) shall not be used to supplant existing state General Funds for the nonfederal share of payments for those programs and, consistent with federal law, shall be used to obtain federal matching Medicaid funds.

(3) All moneys in the Education Protection Account are hereby continuously appropriated for the support of school districts, county offices of education, charter schools, and community college districts as set forth in this paragraph, and for health care as set forth in subparagraph (F) of paragraph (2).

(A) Eleven percent of the moneys appropriated for education pursuant to this paragraph shall be allocated quarterly by the Board of Governors of the California Community Colleges to community college districts to provide general purpose funding to community college districts in proportion to the amounts determined pursuant to Section 84750.5 of the Education Code, as that code section read on November 6, 2012. The allocations calculated pursuant to this subparagraph shall be offset by the amounts specified in subdivisions (a), (c), and (d) of Section 84751 of the Education Code, as that section read on November 6, 2012, that are in excess of the amounts calculated pursuant to Section 84750.5 of the Education Code, as that section read on November 6, 2012, provided that no community college district shall receive less than one hundred dollars ($100) per full time equivalent student.

(B) Eighty-nine percent of the moneys appropriated for education pursuant to this paragraph shall be allocated quarterly by the Superintendent of Public Instruction to provide general purpose funding to school districts, county offices of education, and state general-purpose funding to charter schools in proportion to the revenue limits calculated pursuant to Sections 2558 and 42238 of the Education Code and the amounts calculated pursuant to Section 47633 of the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read on November 6, 2012. The amounts so calculated shall be offset by the amounts specified in subdivision (c) of Section 2558 of, paragraphs (1) through (7) of subdivision (h) of Section 42238 of, and Section 47635 of, the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read on November 6, 2012, that are in excess of the amounts calculated pursuant to Sections 2558, 42238, and 47633 of the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read on November 6, 2012, provided that no school district, county office of education, or charter school shall receive less than two hundred dollars ($200) per unit of average daily attendance.

(4) This subdivision is self-executing and requires no legislative action to take effect. Distribution of the moneys in the Education Protection Account by the Board of Governors of the California Community Colleges and Superintendent of Public Instruction shall not be delayed or otherwise affected by failure of the Legislature and Governor to enact an annual budget bill pursuant to Section 12 of Article IV, by invocation of subdivision (h) of Section 8 of Article XVI, or by any other action or failure to act by the Legislature or Governor.

(5) Notwithstanding any other provision of law, the moneys deposited in the Education Protection Account for education shall not be used to pay any costs incurred by the Legislature, the Governor, or any agency of state government.

(6) A community college district, county office of education, school district, or charter school shall have sole authority to determine how the moneys received from the Education Protection Account are spent in the school or schools within its jurisdiction, provided, however, that the appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and shall not use any of the funds from the Education Protection Account for salaries or benefits of administrators or any other administrative costs. Each community college district, county office of education, school district, and charter school shall annually publish on its Internet Web site an accounting of how much money was received from the Education Protection Account and how that money was spent.

(7) The annual independent financial and compliance audit required of community college districts, county offices of education, school districts, and charter schools shall, in addition to all other requirements of law, ascertain and verify whether the funds provided from the Education Protection Account have been properly disbursed and expended as required by this section. Expenses incurred by those entities to comply with the additional audit requirement of this section may be paid with funding from the Education Protection Account and shall not be considered administrative costs for purposes of this section.

(8) Revenues, less refunds, derived pursuant to subdivision (f) for deposit in the Education Protection Account pursuant to this section shall be deemed "General Fund revenues," "General Fund proceeds of taxes," and "moneys to be applied by the State for the support of school districts and community college districts" for purposes of Section 8 of Article XVI.

(f) (1) (A) In addition to the taxes imposed by Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code, for the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers at the rate of 1/4 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this State on and after January 1, 2013, and before January 1, 2017.

(B) In addition to the taxes imposed by Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code, an excise tax is hereby imposed on the storage, use, or other consumption in this State of tangible personal property purchased from any retailer on and after January 1, 2013, and before January 1, 2017, for storage, use, or other consumption in this state at the rate of 1/4 percent of the sales price of the property.

(C) The Sales and Use Tax Law, including any amendments enacted on or after the effective date of this section, shall apply to the taxes imposed pursuant to this paragraph.

(D) This paragraph shall become inoperative on January 1, 2017.

(2) For any taxable year beginning on or after January 1, 2012, ~~and before January 1, 2031,~~ with respect to the tax imposed pursuant to Section 17041 of the Revenue and Taxation Code, the income tax bracket and the rate of 9.3 percent set forth in paragraph (1) of subdivision (a) of Section 17041 of the Revenue and Taxation Code shall be modified by each of the following:

(A) (i) For that portion of taxable income that is over two hundred fifty thousand dollars ($250,000) but not over three hundred thousand dollars ($300,000), the tax rate is 10.3 percent of the excess over two hundred fifty thousand dollars ($250,000).

(ii) For that portion of taxable income that is over three hundred thousand dollars ($300,000) but not over five hundred thousand dollars ($500,000), the tax rate is

11.3 percent of the excess over three hundred thousand dollars ($300,000).

(iii) For that portion of taxable income that is over five hundred thousand dollars ($500,000), the tax rate is 12.3 percent of the excess over five hundred thousand dollars ($500,000).

(B) The income tax brackets specified in clauses (i), (ii), and (iii) of subparagraph (A) shall be recomputed, as otherwise provided in subdivision (h) of Section 17041 of the Revenue and Taxation Code, only for taxable years beginning on and after January 1, 2013.

(C) (i) For purposes of subdivision (g) of Section 19136 of the Revenue and Taxation Code, this paragraph shall be considered to be chaptered on November 6, 2012.

(ii) For purposes of Part 10 (commencing with Section 17001) of, and Part 10.2 (commencing with Section 18401) of, Division 2 of the Revenue and Taxation Code, the modified tax brackets and tax rates established and imposed by this paragraph shall be deemed to be established and imposed under Section 17041 of the Revenue and Taxation Code.

~~(D) This paragraph shall become inoperative on December 1, 2031.~~

(3) For any taxable year beginning on or after January 1, 2012, ~~and before January 1, 2031,~~ with respect to the tax imposed pursuant to Section 17041 of the Revenue and Taxation Code, the income tax bracket and the rate of 9.3 percent set forth in paragraph (1) of subdivision (c) of Section 17041 of the Revenue and Taxation Code shall be modified by each of the following:

(A) (i) For that portion of taxable income that is over three hundred forty thousand dollars ($340,000) but not over four hundred eight thousand dollars ($408,000), the tax rate is 10.3 percent of the excess over three hundred forty thousand dollars ($340,000).

(ii) For that portion of taxable income that is over four hundred eight thousand dollars ($408,000) but not over six hundred eighty thousand dollars ($680,000), the tax rate is 11.3 percent of the excess over four hundred eight thousand dollars ($408,000).

(iii) For that portion of taxable income that is over six hundred eighty thousand dollars ($680,000), the tax rate is 12.3 percent of the excess over six hundred eighty thousand dollars ($680,000).

(B) The income tax brackets specified in clauses (i), (ii), and (iii) of subparagraph (A) shall be recomputed, as otherwise provided in subdivision (h) of Section 17041 of the Revenue and Taxation Code, only for taxable years beginning on and after January 1, 2013.

(C) (i) For purposes of subdivision (g) of Section 19136 of the Revenue and Taxation Code, this paragraph shall be considered to be chaptered on November 6, 2012.

(ii) For purposes of Part 10 (commencing with Section 17001) of, and Part 10.2 (commencing with Section 18401) of, Division 2 of the Revenue and Taxation Code, the modified tax brackets and tax rates established and imposed by this paragraph shall be deemed to be established and imposed under Section 17041 of the Revenue and Taxation Code.

~~(D) This paragraph shall become inoperative on December 1, 2031.~~

(g) (1) The Controller, pursuant to his or her statutory authority, may perform audits of expenditures from the Local Revenue Fund 2011 and any County Local Revenue Fund 2011, and shall audit the Education Protection Account to ensure that those funds are used and accounted for in a manner consistent with this section.

(2) The Attorney General or local district attorney shall expeditiously investigate, and may seek civil or criminal penalties for, any misuse of moneys from the County Local Revenue Fund 2011 or the Education Protection Account.

SEC. 5. Conflicting Measures.

In the event that this measure and another measure that affects the tax rates for personal income shall appear on the same statewide ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure receives a greater number of affirmative votes than a measure deemed to be in conflict with it, the provisions of this measure shall prevail in their entirety, and the other measure or measures shall be null and void.

SEC. 6. Severability.

If the provisions of this act, or part thereof, are for any reason held to be invalid or unconstitutional, the remaining provisions shall not be affected but shall remain in full force and effect and to this end the provisions of this act are severable.

SEC. 7. Proponent Standing.

Notwithstanding any other provision of law, if the state, government agency, or any of its officials fail to defend the constitutionality of this act, following its approval by the voters, any other government employer, the proponent, or in their absence, any citizen of this state shall have the authority to intervene in any court action challenging the constitutionality of this act for the purpose of defending its constitutionality, whether such action is in trial court, on appeal, or on discretionary review by the Supreme Court of California or the Supreme Court of the United States. The fees and costs of defending the action shall be a charge on funds appropriated to the Attorney General, which shall be satisfied promptly.

PROPOSITION 4

This law proposed by Senate Bill 42 of the 2025–2026 Regular Session (Chapter 245, Statutes of 2025) is submitted to the people in accordance with Section 10 of Article II of the California Constitution.

This proposed law amends sections of the Government Code; therefore, provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. This act shall be known, and may be cited, as the California Fair Elections Act of 2026.

SEC. 2. The Legislature finds and declares all of the following:

(a) All citizens should be able to make their voices heard in the political process and hold their elected officials accountable.

(b) Elections for local or state elective office should be fair, open, and competitive.

(c) The increasing costs of political campaigns can force candidates to rely on large contributions from wealthy donors and special interests, which can give those wealthy donors and special interests disproportionate influence over governmental decisions.

(d) Such disproportionate influence can undermine the public's trust that public officials are performing their duties in an impartial manner and that government is serving the needs and responding to the wishes of all citizens equally, without regard to their wealth.

(e) Special interests contribute more to incumbents than challengers because they seek access to elected officials, and such contributions account for a large portion of the financial incumbency advantage, as confirmed by studies such as those published in the Journal of Politics in 2014 and Political Research Quarterly in 2016.

(f) Citizen-funded election programs, in which qualified candidates can receive public funds for the purpose of communicating with voters rather than relying exclusively on private donors, are currently operative in five charter cities in California, as well as numerous other local and state jurisdictions.

(g) Citizen-funded election programs encourage competition by reducing the financial advantages of incumbency and making it possible for citizens from all walks of life, not only those with connections to wealthy donors or special interests, to run for office, as confirmed by studies such as those published in State Politics and Policy Quarterly in 2008, and by the Campaign Finance Institute in 2015, the National Institute on Money in State Politics in 2016, and the State Politics and Policy Quarterly in 2022.

(h) By reducing reliance on wealthy donors and special interests, citizen-funded election programs inhibit improper practices, protect against corruption or the appearance of corruption, and protect the political integrity of our governmental institutions.

(i) In Johnson v. Bradley (1992) 4 Cal.4th 389, the California Supreme Court highlighted the Court of Appeal's observation that "it seems obvious that public money reduces rather than increases the fund raising pressures on public office seekers and thereby reduces the undue influence of special interest groups."

(j) In Buckley v. Valeo (1976) 424 U.S. 1, the United States Supreme Court recognized that "public financing as a means of eliminating the improper influence of large private contributions furthers a significant governmental interest."

(k) In Arizona Free Enterprise v. Bennett (2011) 564 U.S. 721, the United States Supreme Court acknowledged that public financing of elections "can further 'significant governmental interest[s]' such as the state interest in preventing corruption," quoting Buckley v. Valeo.

(*l*) In Buckley v. Valeo, the United States Supreme Court further noted that citizen-funded elections programs "facilitate and enlarge public discussion and participation in the electoral process, goals vital to a self-governing people."

(m) The absolute prohibition on public campaign financing allows special interests to gain disproportionate influence and unfairly favors incumbents. An exception should be created to permit citizen-funded election programs so that elections may be conducted more fairly.

SEC. 3. Section 85300 of the Government Code is amended to read:

85300. (a) ~~Except as provided in subdivision (b), a~~ *A* public officer shall not expend, and a candidate shall not accept, any public ~~moneys~~ *funds* for the purpose of seeking elective ~~office.~~ *office if the funds are earmarked by any state or local entity for education, transportation, or public safety.*

~~(b) A public officer or candidate may expend or accept public moneys for the purpose of seeking elective office if the state or a local governmental entity establishes a dedicated fund for this purpose by statute, ordinance, resolution, or charter, and both of the following are true:~~

~~(1) Public moneys held in the fund are available to all qualified, voluntarily participating candidates for the same office without regard to incumbency or political party preference.~~

~~(2) The state or local governmental entity has established criteria for determining a candidate's qualification by statute, ordinance, resolution, or charter.~~

(b) Candidates shall abide by expenditure limits and meet strict criteria to qualify for public funds.

(c) Public funds shall not be utilized to pay legal defense fees or fines.

(d) (1) A candidate shall not, at any time, use public funds to repay a personal loan to their campaign.

(2) A candidate who receives public funds for their campaign shall not, after their campaign ends, use any source of funds to repay a personal loan to their campaign.

(e) For purposes of this section, the following definitions apply:

(1) "Available candidate funds" means the candidate's expenditure limit or the sum of all contributions and public funds received by the candidate's controlled committee for the elective office, whichever is less.

(2) "Expenditure limits" means voluntary spending limits established by statute, ordinance, or charter that qualified, voluntarily participating candidates must abide by to receive public funds.

(3) "Independent expenditures against" means the sum of any expenditures made or expenses incurred by any person or persons for the purpose of making independent expenditures in opposition to a specific candidate.

(4) "Independent expenditures in support" means the sum of any expenditures made or expenses incurred by any person or persons for the purpose of making independent expenditures in support of a specific candidate.

(5) "Net supportive funds" means the sum of available candidate funds, plus the independent expenditures in support of that candidate, minus the independent expenditures against that candidate.

(6) "Public funds" means any moneys provided to a candidate by a state or local governmental entity for the purpose of seeking elective office.

(7) (A) "Strict criteria" means the requirements set by statute, ordinance, or charter that candidates must meet to receive public funds. These criteria shall require candidates to demonstrate broad-based support in their district, such as by requiring candidates to receive small-dollar contributions or vouchers from a specified number of voting-age residents.

(B) (i) If a statute, ordinance, or charter requires a minimum number of individuals making small-dollar contributions pursuant to subparagraph (A), the largest contribution the statute, ordinance, or charter may require for a contributor to be counted is ten dollars ($10).

(ii) For purposes of this subparagraph, a statute, ordinance, or charter may allow a contribution larger than the small-dollar contribution amount required pursuant to subparagraph (A) to be counted as a contribution equal to the small-dollar contribution amount required pursuant to subparagraph (A).

(C) "Strict criteria" shall not include requirements that candidates receive a specified number of signatures or raise a specified total dollar amount of more than ten dollars ($10) per contributor.

(f) (1) A statute, ordinance, or charter may increase the expenditure limits for each qualified, voluntarily participating candidate.

(2) An increased limit pursuant to this subdivision shall not exceed an amount equal to the highest dollar amount of net supportive funds of any other candidate for the same office, plus the dollar amount of independent expenditures against the qualified, voluntarily participating candidate, minus the dollar amount of independent expenditures in support of the qualified, voluntarily participating candidate.

(g) Public funding statutes, charters, ordinances, and resolutions shall not discriminate based on party or according to whether a candidate is a challenger or an incumbent.

(h) The Commission is not responsible for the administration or enforcement of a system of public funding of candidates established by a local governmental agency.

(i) Subdivisions (e), (f), and (h) of this section may be amended by statute pursuant to subdivision (a) of Section 81012. The remaining subdivisions of this section may be amended only by a statute that complies with subdivision (b) of Section 81012.

SEC. 4.1. Section 85320 of the Government Code is amended to read:

85320. (a) A foreign government, foreign principal, or foreign national shall not make, directly or through any other person, a contribution, expenditure, or independent expenditure in connection with the qualification or support of, or opposition to, any state or local ballot measure or in connection with the election of a candidate to state or local office.

(b) A person or a committee shall not solicit or accept a contribution from a foreign government, foreign principal, or foreign national in connection with the qualification or support of, or opposition to, any state or local ballot measure or in connection with the election of a candidate to state or local office.

(c) For the purposes of this section, the following terms have the following meanings:

(1) (A) "Foreign national" means a person who is not a citizen of the United States and who is not a lawfully admitted permanent resident.

(B) "Foreign national" does not include a person who has been granted deferred action, and whose deferred action has not expired, under the federal Deferred Action for Childhood Arrivals (DACA) program, as described in guidelines issued by the United States Department of Homeland Security.

(2) "Foreign principal" includes any of the following:

(A) A foreign political party.

(B) A person outside the United States, unless either of the following is established:

(i) The person is an individual and a citizen of the United States.

(ii) The person is not an individual and is organized under or created by the laws of the United States or of any state or other place subject to the jurisdiction of the United States and has its principal place of business within the United States.

(C) A partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country.

(D) A domestic subsidiary of a foreign corporation if the decision to contribute or expend funds is made by an officer, director, or management employee of the foreign corporation who is neither a citizen of the United States nor a lawfully admitted permanent resident of the United States.

(d) This section shall not prohibit a contribution, expenditure, or independent expenditure made by a lawfully admitted permanent resident.

(e) *(1)* Any person who violates this section shall be guilty of a ~~misdemeanor and shall be fined an amount equal to the amount contributed or expended.~~ *misdemeanor.*

(2) In addition to other penalties, a person who violates this section shall be fined an amount at least equal to the amount contributed or expended, but not exceeding an amount equal to three times the amount contributed or expended.

PROPOSITION 5

This amendment proposed by Senate Constitutional Amendment 1 of the 2023–2024 Regular Session (Resolution Chapter 204, Statutes of 2024) expressly amends the California Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENTS TO ARTICLES II AND V

First—That Section 15 of Article II thereof is amended to read:

SEC. 15. (a) An election to determine whether to recall an officer ~~and, if appropriate, to elect a successor~~ shall be called by the Governor and held not less than 60 days nor more than 80 days from the date of certification of sufficient signatures.

(b) A recall election may be conducted within 180 days from the date of certification of sufficient signatures in order that the election may be consolidated with the next regularly scheduled election occurring wholly or partially within the same jurisdiction in which the recall election is held, if the number of voters eligible to vote at that next regularly scheduled election equal at least 50 percent of all the voters eligible to vote at the recall election.

(c) If the majority vote on the question is to recall, the officer is removed ~~and, if there is a candidate, the candidate who receives a plurality is the successor. The officer may not be a candidate, nor shall there be any candidacy for an office filled pursuant to subdivision (d) of Section 16 of Article VI.~~ *and the office shall be vacant. The vacancy shall be filled in accordance with this Constitution and statute, provided that the officer who was the subject of the recall election shall not be appointed to fill the vacancy in that office.*

Second—That Section 17 of Article II thereof is amended to read:

SEC. 17. If recall of the Governor or Secretary of State is initiated, the recall duties of that office shall be performed by the ~~Lieutenant Governor~~ *Secretary of State* or Controller, respectively. *If recalls of the Governor and Secretary of State are initiated at the same time, the recall duties of both offices shall be performed by the Controller.*

Third—That Section 10 of Article V thereof is amended to read:

SEC. 10. *(a)* The Lieutenant Governor shall become Governor when a vacancy occurs in the office of Governor.

(b) Notwithstanding subdivision (c) of Section 15 of Article II, if the Governor is removed from office by recall, the Lieutenant Governor shall become Governor for the remainder of the unexpired term. If the Governor is removed from office by recall before the close of the nomination period for the next statewide election during the first two years of the Governor's term, a special election shall be called to replace the Governor and shall be consolidated with the statewide primary election and, if necessary, the subsequent statewide general election. If a candidate receives a majority of the votes in the special election that is consolidated with the statewide primary election, that candidate shall become Governor for the remainder of the unexpired term. If no candidate receives a majority of the votes, the top two vote-getters shall compete in a special election consolidated with the subsequent statewide general election, and the winner of that election shall become Governor for the remainder of the unexpired term.

(c) The Lieutenant Governor shall act as Governor during the impeachment, absence from the State, or other temporary disability of the Governor or of a Governor-elect who fails to take office.

(d) The Legislature shall provide an order of precedence after the Lieutenant Governor for succession to the office of Governor and for the temporary exercise of the Governor's functions.

(e) The Supreme Court has exclusive jurisdiction to determine all questions arising under this section.

(f) Standing to raise questions of vacancy or temporary disability is vested exclusively in a body provided by statute.

PROPOSITION 37

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title.

This measure shall be known as the "California Middle-Class Home Ownership and Family Home Construction Act of 2026."

SEC. 2. Chapter 11.5 (commencing with Section 51515) is added to Part 3 of Division 31 of the Health and Safety Code, to read:

Chapter 11.5. California Middle-Class Home Ownership and Family Home Construction Act of 2026

51515. (a) The California Housing Finance Agency shall administer and implement the Middle-Class Home Ownership and Family Home Construction Act of 2026 in order to:

(1) Establish middle-class home ownership loans to make home financing more affordable for the purchase of a newly constructed single-family home, with no cost to taxpayers.

(2) Expedite and encourage new single-family home construction to create home ownership opportunities for middle-class families and address California's shortage of single-family housing.

(3) Protect consumers from unfair lending practices.

(4) Provide opportunities for social impact investment by promoting the purchase of low-interest bonds to support middle-class home loans with below-market interest rates to advance the goal of California home ownership, as well as encouraging lending and community investments that qualify for Community Reinvestment Act credit.

(b) For purposes of this chapter:

(1) "Act" means the California Middle-Class Home Ownership and Family Home Construction Act of 2026.

(2) "Agency" means the California Housing Finance Agency.

(3) "Applicant" means any person or persons applying to receive a middle-class home ownership loan.

(4) "Bonds" means revenue bonds, notes, including bond anticipation notes and construction loan notes, debentures, interim or other certificates, or other evidence of financial indebtedness issued by the agency pursuant to Section 51515.06.

(5) "Borrower" means an applicant who satisfies the requirements established in subdivision (a) of Section 51515.01, and any other eligibility requirements established by the agency, and who has received a middle-class home ownership loan.

(6) "Builder" means a housing developer that participates in the qualified builder option established in Section 51515.02.

(7) "Lender" means a bank, credit union, trust company, savings bank, national banking association, savings and loan association, building and loan association, mortgage banker, or other financial institution or governmental agency that customarily provides services or otherwise aids in the financing of home mortgages, or any holding company for any of the foregoing, that meets the requirements established in Section 51515.03 and with which the agency has contracted to originate or service middle-class home ownership loans authorized by this chapter.

(8) "Middle-class home ownership loan" means a loan originated pursuant to this chapter.

(9) "Option" means the qualified builder option to encourage new single-family home construction established in Section 51515.02.

(10) "Program" means the Middle-Class Home Ownership Loan Program.

(11) "Qualified new home" means a single-family home that satisfies the requirements established in subdivision (b) of Section 51515.01, including, but not limited to, homes built under the qualified builder option established in Section 51515.02.

(12) "Secondary mortgage" means a mortgage, deed of trust, or other security instrument on a qualified new home that secures a middle-class home ownership loan.

(13) "Single-family home" means a stand-alone home, townhome, or row house, including the land on which it is located, or a condominium, manufactured home, or other residential unit, intended for occupancy by one household.

51515.01. Borrower and Qualified New Home Eligibility

(a) Middle-Class Home Buyer Borrower Eligibility.

(1) An applicant shall meet all of the following eligibility requirements to qualify for a middle-class home ownership loan under the program:

(A) California resident requirement. The applicant shall be a resident of the State of California for at least one year prior to the time of application.

(B) Owner-occupied primary residence. The applicant shall agree to occupy the qualified new home as the applicant's primary residence within 60 days of closing.

(C) Income requirements. The applicant shall have a family income that does not exceed 200 percent of the area median income for a family of the same size in the county or metropolitan statistical area where the qualified new home is located, adjusted for family size by the agency.

(D) Downpayment requirement. The applicant shall agree to pay no less than 3 percent of the purchase price of the qualified new home from a source other than a grant or borrowed money.

(2) An applicant shall provide the agency with any information, in the form prescribed by the agency, that will enable the agency to determine the applicant's eligibility under this chapter.

(b) Qualified New Home Eligibility.

(1) A qualified new home is either of the following:

(A) A newly constructed home, townhome, row house, condominium, or manufactured home where the borrower is the first purchaser.

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(B) A condominium or other residential unit in a building that was a nonresidential structure and was retrofitted or repurposed for residential use where the borrower is the first purchaser.

(2) The maximum sales price for a qualified new home shall not exceed 125 percent of the conforming loan limit for a one-unit property in the county in which the qualified new home is located, as set forth in the annual conforming loan limit report published by the Federal Housing Finance Agency, or a successor agency, pursuant to Section 4542 of Title 12 of the United States Code.

(3) This section shall not be construed to restrict the sale of qualified new homes to home buyers who are not participating in the program.

(4) A qualified new home shall not be considered a "public works" for purposes of Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

51515.02. The Qualified Builder Option

(a) A housing developer may voluntarily opt into the option by certifying to the agency that the construction of a new home or homes will satisfy the requirements established in subdivision (b) of Section 51515.01. The agency shall issue a letter confirming participation status within 30 days of receiving a certification submitted pursuant to this subdivision. The letter may be relied upon by the builder, prospective purchasers, and construction lenders for purposes of marketing and financing any qualified new home, subject to the requirements in this chapter.

(b) Participating builders shall:

(1) Be subject to the labor and enforcement provisions in paragraphs (2), (3), if the project and construction craft conditions specified in that paragraph are met, (4), and (5) of subdivision (d) of Section 21080.66 of the Public Resources Code.

(2) Be liable for all violations of paragraph (1) of subdivision (c) that are committed by contractors and subcontractors to the builder. A joint labor-management cooperation committee established pursuant to the federal Labor Management Cooperation Act of 1978 (29 U.S.C. Sec. 175a) may bring an action in a court of competent jurisdiction for a violation of this paragraph.

(c) A joint labor-management cooperation committee established pursuant to the federal Labor Management Cooperation Act of 1978 (29 U.S.C. Sec. 175a) may bring an action in a court of competent jurisdiction against a contractor or subcontractor to the builder at any tier on behalf of construction workers employed by a contractor or subcontractor to enforce any of the following:

(1) An employer's obligations under Division 1 (commencing with Section 100) and Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.

(2) The failure to secure the payment of workers' compensation insurance as required by Chapter 4 (commencing with Section 3700) of Part 1 of Division 4 of the Labor Code.

(3) The failure to maintain a valid state contractor's license as required by Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code.

(d) Remedies and penalties for labor law violations under this section shall be assessed and distributed in accordance with subdivision (m) of Section 2699 of the Labor Code.

(e) This section shall not be construed to restrict the purchase of a qualified new home that was built under the option by home buyers who are not participating in the program.

(f) If a builder sells a new qualified home built pursuant to this section for more than 25 percent over the maximum sales price established in paragraph (2) of subdivision (b) of Section 51515.01, subparagraph (B) of paragraph (1) and paragraph (2) of subdivision (e) of Section 51515.04 shall not apply to the home.

51515.03. Lender Eligibility

(a) The agency may contract with one or more lenders to originate or service the middle-class home ownership loans authorized by this chapter.

(b) The agency shall evaluate whether the program, consistent with its purposes, may be implemented in a manner that meets the criteria for activities qualifying for consideration for lenders subject to the federal Community Reinvestment Act (12 U.S.C. Sec. 2901 et seq.), and if so, implement the program in that manner.

51515.04. Consumer Protections, Accountability, and Transparency Standards

(a) Consumer protection. The agency shall establish consumer protection requirements applicable to lenders the agency contracts with to originate the middle-class home ownership loans, including, but not limited to, all of the following:

(1) Limits on lenders fees associated with the origination of middle-class home ownership loans.

(2) A prohibition on early payment penalties.

(3) A requirement that middle-class home ownership loans be fixed-rate mortgage loans.

(b) Additional credit verification. If for any reason an applicant's credit score does not qualify the applicant for credit or the most favorable terms available under this program, the lender shall allow the applicant to voluntarily submit financial records, including bank statements, paystubs, verifiable personal assets, and rental payment history, and utilize and evaluate those records using cashflow underwriting in an effort to qualify the applicant for credit or more favorable terms under the program. By voluntarily submitting financial records, the applicant consents to those records being used for cashflow underwriting for purposes of the program.

(c) Home buyer representation and protections. The applicant shall retain a licensed California real estate

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agent or broker, as defined in Section 10018.06 of the Business and Professions Code, selected by the applicant, to ensure that the home buyer receives adequate representation and consumer protection throughout the home buying process.

(d) Hardship deferral. A borrower may request a temporary hardship deferral of monthly interest payments on their middle-class home ownership loan pursuant to the criteria and terms established by the agency.

(e) Construction accountability standards.

(1) To protect consumers and expedite resolution of disputes for homeowners:

(A) Title 7 (commencing with Section 895) of Part 2 of Division 2 of the Civil Code shall apply to qualified new homes, except as modified in subparagraph (B) for qualified new homes built by a builder pursuant to Section 51515.02.

(B) Qualified new homes built by a builder pursuant to Section 51515.02 shall be subject to the following right-to-repair procedures:

(i) Notice requirements. If any claimant, whether it is a homeowner, group of homeowners, or an association, initiates the prelitigation procedures in subdivision (a) of Section 910 of the Civil Code, in addition to complying with all of the requirements in that subdivision, the written notice required shall identify each homeowner by address or other description sufficient to apprise the builder of the location of each residence, shall identify the nature and location of each alleged violation in each residence, and shall be signed by each homeowner alleging a violation.

(ii) Allows open communication and transparency. Notwithstanding Section 913 of the Civil Code, a builder may communicate directly with the homeowner or claimant during any stage of the prelitigation procedures described in Chapter 4 (commencing with Section 910) of Title 7 of Part 2 of Division 2 of the Civil Code. However, this provision is not intended to modify the California Rules of Professional Conduct of the State Bar of California, including Rule 4.2, which prohibits attorneys from directly or indirectly communicating with a person they know is represented by another lawyer in the matter.

(iii) Allows homeowner release. Notwithstanding Section 926 of the Civil Code, a builder may obtain a release or waiver from the homeowner for the repair work mandated by Chapter 4 (commencing with Section 910) of Title 7 of Part 2 of Division 2 of the Civil Code, provided the builder has completed the repairs with the utmost diligence, and the homeowner is satisfied with those repairs. The homeowner may voluntarily execute a release of claims related solely to the repaired deficiencies. That release shall be in writing, executed knowingly and voluntarily, and shall not extend to any defects or claims not addressed by the repairs.

(iv) Incentivizing prompt resolution of litigation. If a court grants a motion to stay pursuant to subdivision (b) of Section 930 of the Civil Code and, 120 days thereafter, the claimant has not taken affirmative action within the claimant's control to comply with the requirements of Chapter 4 (commencing with Section 910) of Title 7 of Part 2 of Division 2 of the Civil Code, the builder may bring a motion to dismiss the action. The court, in its discretion, may award the prevailing party on that motion its attorney's fees and costs in bringing or opposing the motion.

(v) Disclosure to home buyer. The builder of the qualified new home shall disclose in writing, in a form approved by the agency, to each home buyer, before the close of escrow, that the qualified new home is subject to this subparagraph.

(C) Subparagraph (B) shall not apply to qualified new homes covered by subdivision (f) of Section 51515.02.

(2) Notwithstanding any other law, in any action brought by a homeowner or group of homeowners asserting claims subject to the procedures set forth in Chapter 4 (commencing with Section 910) and Chapter 5 (commencing with Section 941) of Title 7 of Part 2 of Division 2 of the Civil Code or the procedures set forth in subparagraph (B) of paragraph (1) of this subdivision related to a qualified new home, the maximum allowable attorney contingency fee shall not exceed 30 percent of the total recovery obtained through settlement, mediation, arbitration, judicial reference, or judgment, unless a court approves a higher award considering the results obtained, the risk undertaken by the attorney, any agreement between the attorney and the client, the complexity of the action, and the skill demonstrated by the attorney. The attorney contingency fee shall be paid solely out of the amount of the settlement, arbitration, mediation, judicial reference, or judgment.

(f) A lender originating a middle-class home ownership loan may charge an origination fee of no more than 0.5 percent or two hundred ninety dollars ($290), whichever is greater. The agency may adjust the two hundred ninety dollars ($290) amount no more than once every two years. A lender shall not charge any other loan fees unless authorized by the agency.

(g) Section 2924.13 of the Civil Code shall not apply to any middle-class home ownership loans made under this chapter.

51515.05. Program Requirements

(a) The agency shall implement the program no later than one year after the effective date of this act. The agency shall have all the powers conferred upon it by this part to implement and administer the program in accordance with this chapter. In implementing this chapter, the agency shall adopt rules and regulations approved by the board of directors of the agency and consistent with this chapter. Policies, rules, and regulations adopted pursuant to this part shall not be subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(b) Each middle-class home ownership loan shall be secured by a secondary mortgage, shall be used solely

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to finance a portion of the purchase price of a qualified new home, and shall finance no more than 17 percent of the purchase price of a qualified new home that is ordinarily covered by the homeowner's downpayment, where the applicant contributes no less than 3 percent of the purchase price of a qualified new home. Each middle-class home ownership loan secured by a secondary mortgage shall be subordinate to the primary mortgage financing the purchase of the qualified new home. The agency shall adopt rules regarding closing costs, including, but not limited to, authorizing a borrower to use a middle-class home ownership loan to pay the closing costs associated with the full purchase of a qualified new home, provided that the agency determines that such a rule balances the interests of borrowers and bond investors.

(c) The agency shall set residency duration requirements for borrowers and the interest rates, amortization schedules, principal repayments, prepayment provisions, and other payment terms on middle-class home ownership loans on terms the agency determines practical and favorable to applicants and at levels necessary, to the greatest extent possible, to pay the principal, interest, and other amounts due with respect to the bonds issued pursuant to this chapter, including amounts necessary to defray all costs of administration incurred by the agency pursuant to this chapter.

(d) The agency shall establish a homeowner education requirement for borrowers whom the agency determines would benefit from homeowner education, including first-time home buyers, and shall do so in the most cost-effective manner practicable provided that the requirement can be satisfied within the timeline for closing.

(e) The agency shall establish underwriting criteria for the middle-class home ownership loans and may adjust the terms and eligibility of middle-class home ownership loans, including, but not limited to, loan limits, minimum credit scores or the additional credit verification permitted by subdivision (b) of Section 51515.04, and debt-to-income ratios, to satisfy federal standards and requirements established by Fannie Mae, Freddie Mac, or the Federal Housing Administration, provided that those criteria are consistent with the terms and purposes of this chapter.

(f) The agency shall have discretion to set the manner, timing, and geographic distribution of bond sales, including whether to market bonds regionally or statewide, and shall do so in a manner that minimizes interest costs and encourages broad investor participation.

(g) The agency shall provide for an independent annual audit of the program to ensure that bond proceeds are used in a manner consistent with the requirements of this chapter and any other applicable laws.

51515.06. Revenue Bonds

(a) Subject only to the limitations of this chapter, the agency may, in addition to any other power conferred by this part:

(1) Issue and sell its bonds in the principal amount that the agency determines necessary for the purpose of funding or acquiring middle-class home ownership loans under the program and for the payment of interest on these bonds, the establishment of reserves to secure the bonds, and the payment of other expenditures of the agency incident to, and necessary or convenient to, issuance of the bonds, including credit or liquidity enhancement costs, provided that the principal amount of any bonds issued and sold pursuant to this chapter shall not exceed twenty-five billion dollars ($25,000,000,000), not including the amount of any refunding bonds issued pursuant to paragraph (2).

(2) Issue and sell its bonds to redeem, refund, retire, restructure, or purchase bonds previously issued pursuant to this chapter pursuant to Part 3 (commencing with Section 50900).

(3) Enter into any resolutions, indentures, or other documents governing the bonds with trustees.

(4) Enter into any agreements for credit enhancement or liquidity support.

(5) Pledge and grant a lien on, and security interest in, collateral, including, but not limited to, the middle-class home ownership loans and the agency's rights thereunder, to secure the obligations of the agency under any resolutions, indentures, or other documents governing the bonds and agreements for credit enhancement or liquidity support. This pledge, lien, and security interest shall be governed by Chapter 5.5 (commencing with Section 5450) of Division 6 of Title 1 of the Government Code.

(6) Make or acquire middle-class home ownership loans.

(7) Collect, or cause to be collected, loan payments and other amounts when due from borrowers under a middle-class home ownership loan.

(8) Enforce, or cause to be enforced, the terms of middle-class home ownership loans and secondary mortgages against borrowers.

(9) Accept any grants or donations for the benefit of the program.

(10) Make and execute contracts and other instruments and do any and all things necessary, convenient, or desirable in connection with the bonds, the middle-class home ownership loans, the secondary mortgages, or to carry out the provisions of this chapter.

(b) In addition to the statement required by Section 51374, all bonds issued pursuant to this section shall contain on the face the following statement: "This bond shall not be deemed to constitute a debt or liability or a pledge of the faith and credit of the State of California, other than the agency, but shall be payable solely from the funds provided therefore."

SEC. 3. Amendments.

This act shall be broadly construed to accomplish its purposes. The statutory provisions of the act may be amended so long as the amendments are consistent with and further the purposes of building more middle-class housing in California, protecting home borrowers under this program, and expanding home ownership opportunities for middle-class Californians by a statute that is passed by over a 60 percent vote of the members of each house of the Legislature and signed by the Governor.

SEC. 4. Severability.

The provisions of this act are severable. If any portion, section, subdivision, paragraph, clause, sentence, phrase, word, or application of this act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this act. The people of the State of California hereby declare that they would have adopted this act and each and every portion, section, subdivision, paragraph, clause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any portion of this act or application thereof would be subsequently declared invalid.

SEC. 5. Liberal Construction.

This initiative shall be liberally construed to effectuate its purposes.

SEC. 6. Conflicting Ballot Measures.

(a) In the event that this measure and another measure authorizing revenue bonds to fund middle-class housing loans shall appear on the same statewide election ballot, the provisions of the other measure shall be deemed to be in conflict with this measure. If this measure receives a greater number of affirmative votes than a measure deemed to be in conflict with it, the provisions of this measure shall prevail in their entirety, and the provisions of the other measure shall be null and void.

(b) If this measure is approved by the voters but superseded in whole or in part by a conflicting measure approved by the voters at the same election, and the conflicting measure is later held to be invalid, this measure shall be self-executing and given full force and effect.

PROPOSITION 38

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

California Immunology Research and Cures Initiative

SECTION 1. Title.

This act shall be known, and may be cited, as the "California Immunology Research and Cures Initiative."

SEC. 2. Findings and Declarations.

The people of the State of California find and declare all of the following:

(a) Medical research is on the brink of achieving transformative breakthroughs in preventing, treating, and curing some of the most deadly and debilitating diseases and other health disorders that afflict many people and their loved ones every day.

(b) The emerging medical research fields of immunology and immunotherapy offer the promise of groundbreaking advancements in health science that, if adequately funded, will lead to an explosion of scientific progress in treating and preventing a wide array of the most common medical conditions that kill and disable Americans year after year.

(c) Immunology and immunotherapy harness the body's own immune system to recognize and stop diseases. In recent years, immunotherapy has proven to be an effective treatment in fighting cancers like melanoma, lung cancer, certain leukemias and lymphomas, and more.

(d) Many doctors and research scientists believe immunotherapies have the potential to prevent and cure a whole range of diseases and other health conditions in our lifetime, including cancer, heart disease, neurological conditions such as Alzheimer's and Parkinson's, diabetes, obesity, high blood pressure, high cholesterol, ALS (Lou Gehrig's Disease), HIV/AIDS, muscular dystrophy, and autoimmune diseases such as rheumatoid arthritis, lupus, and multiple sclerosis.

(e) Given that breakthroughs in immunology can prevent disease and save lives, supporting immunology and immunotherapy medical research is a vital priority in the state's overall approach to improving public health and saving and improving lives.

(f) In order to fully develop and take advantage of these emerging technologies, it is critical that a steady and reliable source of funding be created so that sustained research can be pursued uninterrupted by funding shortages that would otherwise threaten to disrupt progress and stall the momentum of scientific breakthroughs.

(g) Public funding of medical research has always been a central component of advancements in modern medicine. Of all the new drugs approved by the FDA between 2010 and 2019, the vast majority of them—99.4 percent—were the result of publicly funded research.

(h) California has always been at the forefront of technological developments and breakthroughs. In particular, California has long been a leader in the health sciences, as it is home to many of the most innovative and prestigious medical research institutes in the world, as well as having the premier system of higher education in the country—the University of California—which houses several world-class medical schools and health science research centers.

(i) It is incumbent on California to lead the way in the development of immunotherapies that will yield enormous benefits in the treatment and prevention of many of the most persistent and debilitating illnesses that have so far proved resistant to the more conventional therapies of the past.

(j) Besides saving lives, funding the development of immunotherapies will also save the state and California families billions of dollars in health care costs by preventing and curing a range of debilitating diseases and illnesses.

(k) Immunology and immunotherapy will help expand California's biotechnology industry, create good-paying jobs, generate economic output, and stimulate new sources of revenue through grant funding, intellectual property licensing, and private sector investments. Biotechnology in California has the potential to become as economically significant in the future as information technology is today.

(*l*) Millions of families are hurt every year when devastating diseases like cancer, heart disease, Alzheimer's, Parkinson's, and diabetes ruin or take the lives of our loved ones. We owe it to ourselves to invest in promising immunotherapy research that can prevent and cure diseases that impact all families.

(m) This is a pivotal moment in the history of medical science, and California must seize the opportunity to once again serve as the nation's leader in innovation, as it so often has in the past.

SEC. 3. Purpose and Intent.

It is the intent of the people of the State of California in enacting this act to achieve all of the following:

(a) Fund a world-class and innovative immunology and immunotherapy research institute affiliated with the University of California to harness the power of the human immune system, cutting-edge science and technologies, and advanced computing technologies to create scientific discoveries and next-generation therapies for the prevention and cure of chronic diseases, enabling Californians to live longer and healthier lives.

(b) Award grants only to California-based public and nonprofit universities and nonprofit medical research institutions for immunology and immunotherapy research and expand access to lifesaving therapies and cures for all Californians, ensuring that no funds are awarded to for-profit organizations or pharmaceutical companies.

(c) Fund research, education, and the development of treatments and therapies for various medical conditions using immunology-based approaches at public and nonprofit universities and other nonprofit medical research facilities with proven track records of conducting successful research and clinical trials, in order to help end diseases and other illnesses like cancer, heart disease, Alzheimer's, Parkinson's, diabetes, obesity, high blood pressure, and high cholesterol in our lifetime.

(d) Dedicate over four billion dollars ($4,000,000,000) specifically for research related to the prevention, treatment, and cure of cancer, heart disease, and Alzheimer's disease.

(e) Bring together biomedical scientists, disease modelers, genomic technologists, data scientists, computational experts, inventors of therapeutics, and clinical trial innovators from around the globe to develop preventative vaccines to protect against these diseases and to formulate treatments and cures for some of the world's most chronic and serious medical conditions.

(f) Select for funding a nonprofit research institute that is independent, collaborative, and innovative, while still affiliated with the University of California, in order to streamline state oversight, cut through bureaucracy and red tape, and ensure focused, outcome-driven research.

(g) Fund a nonprofit medical research center that will ultimately be self-sustaining by reinvesting economic returns from successful therapeutic development into new avenues of investigation, thereby creating a financially independent research facility that will eventually require no public funding.

(h) Require that 10 percent of all proceeds from the immunotherapies developed as a result of this act go to the state to offset the costs of this act, making this effectively a loan program and ensuring that the taxpayers will fully recoup their investment in this vital research.

(i) Require that any recipient licensing a technology or drug developed with funds from this act make the technology or drug available to California patients at a price that is at least 20 percent below the national average, ensuring that Californians benefit directly from their public investment.

(j) Ensure that all research funding disbursed under this act is subject to strict accountability and transparency requirements, including a requirement that 98 percent of all funds be spent for costs related to medical research and development of cures, a limit on state government administrative spending to no more than 2 percent, rigorous conflict of interest rules, public disclosure of all spending, and independent financial audits.

(k) Protect and benefit the state budget by funding research that will significantly lower health care costs in the future and by providing opportunities for the state to benefit from revenue resulting from patents and licensing fees arising from immunology breakthroughs.

(*l*) Benefit the California economy by creating high-paying jobs, biomedical industrial projects, and potential therapies that will generate new tax revenues in our state.

(m) Raise the biotechnology and life sciences industries in California to the status of world leadership in the emerging field of immunotherapy research and treatment, strengthening the state's position as a global hub for health innovation and economic growth.

SEC. 4. Division 110.5 (commencing with Section 130350) is added to the Health and Safety Code, to read:

DIVISION 110.5. CALIFORNIA IMMUNOLOGY RESEARCH AND CURES INITIATIVE

Chapter 1. California Immunology and Immunotherapy Medical Research Act

130350. This chapter shall be known, and may be cited, as the "California Immunology and Immunotherapy Medical Research Act."

130351. For purposes of this chapter, the following terms have the following meanings:

(a) "Committee" means the Citizens' Financial Accountability Oversight Committee created pursuant to Section 130362.

(b) "Council" means the Advisory and Accountability Research Council created pursuant to Section 130355.

(c) "Department" means the State Department of Public Health, or its successor agency.

(d) "Fund" means the California Immunology and Immunotherapy Medical Research Fund created pursuant to Section 130377.

(e) "Institute" means a nonprofit medical research institute selected by the department pursuant to Section 130353.

(f) "Intellectual property rights" means all proprietary legal rights with respect to know-how or inventions, including all trade secrets, copyrights, trademarks, mask works, software, and patents, and applications therefor throughout the world, including inventor's certificates, and any form of right by which a party may effectively exclude another from performing any of the acts specified in this definition, including contract rights; provided, however, in the case of intellectual property rights under which the institute, public or nonprofit university, or nonprofit research institution that received the funding pursuant to subdivision (b) of Section 130352 is a licensee or is otherwise a permitted user, those rights qualify under this definition only if the institute, public or nonprofit university, or nonprofit research institution has the right to grant sublicenses or other equivalent rights.

(g) "Invention" means any new and useful device, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvements, or any variety of plant that is or may be patentable under United States patent laws and regulations.

(h) "Know-how" means conceptions, ideas, innovations, discoveries, inventions, knowledge, processes, machines, manufactures, chemical formulations, product samples, assays, compositions of matter, improvements, enhancements, modifications, technological developments, technology, methods, practices, techniques, systems, designs, artwork, drawings, plans, specifications, gene sequencing, pharmaceuticals, pharmaceutical formulations, mask works, software, documentation, data and information, irrespective of whether in human or machine readable form, works of authorship, products, trade secrets, skill, experience, motivation based on experience and need, documents, apparatus, clinical and regulatory strategies, test data, including pharmacological, toxicological, and clinical test data, analytical and quality control data, and patent data or descriptions, whether or not any of the foregoing are patentable, copyrightable, or susceptible to any other form of legal protection, and provided that the foregoing satisfy all of the following:

(1) They are conceived, made, reduced to practice, or otherwise existing prior to the expiration or termination of a grant agreement entered into under Section 130353 or 130357.

(2) They have been assigned to the institute, public or nonprofit university, or nonprofit research institution by an inventor, either alone or with others.

(3) They relate, directly or indirectly, to the subject matter of the grant agreement and related funding.

(i) "Patent" means any United States or foreign patent application or related patent document, including any provisional, divisional, continuation, continuation-in-part, substitute, renewal, reissue, extension, confirmation, reexamination, or registration thereof and any patent issuing from any of them, including any substitute, renewal, reissue, extension, confirmation, reexamination, or registration thereof.

(j) "Software" means any machine readable or executable code stored on any tangible medium.

130352. (a) The proceeds of bonds issued and sold pursuant to Chapter 2 (commencing with Section 130370), exclusive of refunding bonds issued pursuant to Section 130383, shall be deposited in the California Immunology and Immunotherapy Medical Research Fund created pursuant to Section 130377.

(b) Moneys in the fund, after payment of any other amounts authorized herein and under the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), shall be allocated to the department for disbursement as follows:

(1) Fifty percent of the moneys shall be disbursed to a single nonprofit medical research institute for the purpose of conducting or directing health science research in the fields of immunology and immunotherapy.

(2) Fifty percent of the moneys shall be disbursed to those public and nonprofit universities and other nonprofit research institutions represented on the council for the purpose of conducting health science research in the fields of immunology and immunotherapy. Moneys disbursed under this paragraph shall be awarded as individualized grants for specific research projects through an application process, with applications reviewed pursuant to Section 130356, and shall not be in the nature of uniform block grants.

130353. (a) The department shall disburse funds pursuant to paragraph (1) of subdivision (b) of Section 130352 in accordance with a funding agreement entered into between the department and a single nonprofit medical research institute selected by the department that satisfies all of the following criteria:

(1) The institute is a medical research institute exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code that was in existence as of January 1, 2025, and that was founded for the primary purpose of, and specializes specifically in, conducting research in the fields of immunology and immunotherapy.

(2) The institute has an affiliation agreement, entered into not later than January 1, 2025, that creates an affiliation relationship with a campus of the University of California that satisfies all of the following:

(A) The campus has a graduate training program in immunology and immunotherapy.

(B) The campus has a public health care system that consists of one or more hospitals and that conducts its own clinical trials of new experimental drugs and therapies.

(C) The campus health care system has a hospital and clinic volume of greater than 35,000 inpatient admissions and 3,500,000 outpatient visits each year.

(3) The institute is governed by a board of directors that is required by the institute's bylaws, adopted not later than January 1, 2025, and by the affiliation agreement described in paragraph (2) to include multiple members who are senior-level representatives of the University of California campus that is a party to the affiliation agreement or the campus's public health care system.

(4) As of January 1, 2026, the institute owns or leases a site that is not less than 200,000 square feet in size and that has an intended purpose of serving as a research facility housing the institute's research activities.

(5) The institute agrees to conduct collaborative medical research in immunology and immunotherapy with other qualified nonprofit California medical research centers, including conducting multiinstitutional clinical trials.

(6) The institute has identified, in the affiliation agreement described in paragraph (2), sources of funding of not less than two hundred fifty million dollars ($250,000,000) in the form of philanthropic donations or fundraising commitments.

(7) The institute has secured financial commitments of not less than fifty million dollars ($50,000,000) to support a rapid vaccine development program and not less than fifty million dollars ($50,000,000) to support a microbiome research program.

(b) (1) Except as provided in paragraph (2), the department shall select and enter into a funding agreement with the institute pursuant to subdivision (a) within 90 days of the effective date of this chapter.

(2) (A) In the event the department is unable to identify a nonprofit medical research institute that both satisfies the criteria specified in subdivision (a) and is willing to enter into a funding agreement pursuant to this section, the department shall modify the criteria specified in subdivision (a) to permit the identification of a nonprofit medical research institute that is eligible for funding under this chapter and willing to enter into a funding agreement pursuant to this section.

(B) Any modification of criteria by the department pursuant to subparagraph (A) shall be the minimum amount of modification necessary to identify an eligible nonprofit medical research institute and shall further the purposes of this chapter.

(C) In the event the department modifies the criteria specified in subdivision (a) pursuant to this paragraph, the department shall select and enter into a funding agreement with the institute within 90 days of the date the modified criteria are adopted by the department.

(c) (1) The department shall review the agreement entered into pursuant to subdivision (b) every five years in order to ensure the institute's compliance with the terms of the agreement and the provisions of this chapter.

(2) Failure of the institute to substantially comply with the terms of the agreement or the provisions of this chapter may constitute grounds for termination of the agreement if the department determines, during a five-year review conducted pursuant to paragraph (1), that the failure substantially and materially frustrates the purposes of this chapter, provided that the institute shall be given notice of any determination made by the department under this paragraph and a reasonable opportunity to remedy the lack of compliance identified.

(d) The funding agreement entered into pursuant to this section shall require that all research and development funded under the agreement shall be conducted under established standards of open scientific exchange, peer review, and public oversight.

(e) (1) Following the effective date of this chapter, there is hereby appropriated from the General Fund, as a source of a start-up loan or loans to the institute, one hundred million dollars ($100,000,000) for the costs of initial implementation and support of the institute's research program, as described in this chapter. The department shall determine the timing and amount of those loans to the institute not to exceed, in the aggregate, the amount of the above appropriation.

(2) Any loan made to the institute pursuant to paragraph (1) shall be repaid to the General Fund within 12 months, or if not repaid within 12 months, as soon thereafter as is practicable as determined by the Treasurer, of the related loan draw from the proceeds of bonds sold pursuant to Chapter 2 (commencing with Section 130370).

130354. (a) Moneys disbursed pursuant to Section 130352 shall be expended as follows:

(1) (A) The institute shall expend the funds disbursed to it pursuant to paragraph (1) of subdivision (b) of

Section 130352 to conduct immunology and immunotherapy research that is either conducted within the institute by researchers and employees employed or retained directly by the institute or is otherwise directed by the institute.

(B) Not less than two billion one hundred million dollars ($2,100,000,000) of the funds disbursed pursuant to paragraph (1) of subdivision (b) of Section 130352 shall be expended to conduct immunology and immunotherapy research related to the prevention, treatment, and cure of cancer, heart disease, and Alzheimer's disease.

(2) (A) The funds disbursed pursuant to paragraph (2) of subdivision (b) of Section 130352 shall be expended to conduct immunology and immunotherapy research by those public and nonprofit universities and other nonprofit research institutions represented on the council. Research projects funded under this paragraph shall be selected as provided in Section 130356.

(B) Not less than two billion one hundred million dollars ($2,100,000,000) of the funds disbursed pursuant to paragraph (2) of subdivision (b) of Section 130352 shall be expended to conduct immunology and immunotherapy research related to the prevention, treatment, and cure of cancer, heart disease, and Alzheimer's disease.

(3) An amount equal to actual costs, excluding any costs authorized under the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), not to exceed 2 percent of all moneys disbursed pursuant to Section 130352, may be expended for the administrative costs of the department, the council, the committee, and the Controller in carrying out their respective responsibilities under this chapter.

(b) Research activities that may be funded under this chapter shall include, but not be limited to, all of the following:

(1) Conducting foundational research investigating disease development mechanisms and possible pathways to intervene in disease progression, including, but not limited to, research to prevent cancer, Alzheimer's disease, Parkinson's disease, cardiovascular disease, and diabetes.

(2) Developing and improving diagnostic tools, including blood biomarkers and imaging, to enable earlier disease detection.

(3) Collecting, studying, and creating banks of tissue specimens and tumor models from representative patient populations to better understand disease formation and test interventions at various stages of disease progression.

(4) Investigating genetics, environmental exposure, and lifestyle factors to better understand their combined contributions to disease development.

(5) Subtyping cancers and other diseases and creating a repository of disease subtypes in order to develop the most effective therapeutics for individual patients.

(6) Testing drugs and therapies against cells, tumors, and organoids and evaluating multiple therapies against cell lines to identify the best therapy candidates for each condition being studied.

(7) Utilizing a good manufacturing practices (GMP) facility to facilitate the creation and evaluation of new cellular and gene therapies.

(8) Coordinating, conducting, and overseeing clinical trials to assess the safety and effectiveness of new therapeutics among a diverse patient population.

(9) Developing treatments that are available and affordable for California patients.

130355. (a) The department shall coordinate and support the establishment of an Advisory and Accountability Research Council.

(b) (1) The council shall include a seven-member executive committee, the members of which shall also serve as general members of the council. The chancellors of the University of California campuses at Berkeley, Davis, Irvine, Los Angeles, Riverside, San Diego, and San Francisco shall each appoint a representative from their respective campuses to serve on the executive committee.

(2) The executive committee, by majority vote, shall appoint to the council not fewer than 10 and not more than 15 additional members who are drawn from the categories described in subparagraphs (A) and (B).

(A) Representatives of California nonprofit universities, excluding the University of California, that have demonstrated success and leadership in immunology and immunotherapy research.

(B) Representatives of California nonprofit academic and research institutions that are not part of the University of California and that have demonstrated success and leadership in immunology and immunotherapy research.

(3) Each member of the council shall be a physician, scientist, or researcher with demonstrated experience in the fields of immunology and immunotherapy and shall satisfy additional criteria as may be established by the executive committee.

(c) (1) The members of the council shall serve four-year terms.

(2) (A) If a vacancy occurs during the term of a member of the executive committee, the appointing authority of that member shall appoint a replacement member within 45 days to serve the remainder of the term.

(B) If a vacancy occurs during the term of a member not on the executive committee, the executive committee, by majority vote, shall appoint a replacement member representing the same organization or institution represented by the vacating member within 45 days to serve the remainder of the term.

(3) (A) When the term of a member of the executive committee expires, the appointing authority of that

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member shall reappoint the member or appoint a new member for a new term within 30 days.

(B) When the term of a member not on the executive committee expires, the executive committee, by majority vote, shall reappoint the member or appoint a new member for a new term within 30 days. A member whose term has expired shall serve until a replacement is appointed.

(d) (1) The chairperson and vice chairperson of the council shall each be a member of the executive committee, shall each have a two-year term, and, except as provided in paragraph (2), shall be chosen by a majority vote of the full council.

(2) The appointed representative from the University of California, Los Angeles shall serve as the first chairperson of the council.

(e) A quorum of the council shall consist of a majority of the members then serving.

(f) Council members shall serve without compensation but may receive reimbursement for travel and necessary expenses actually incurred in the performance of their duties.

130356. (a) The council shall determine, in the manner prescribed in subdivision (e), which research projects proposed by those public and nonprofit universities and other nonprofit research institutions represented on the council shall be funded pursuant to paragraph (2) of subdivision (b) of Section 130352, based on the selection criteria and research priorities established under this chapter and the technical merits of the proposals as evaluated pursuant to this section.

(b) (1) The council shall establish selection criteria and research priorities for the awarding of grants under this section based on all of the following:

(A) The scientific merits of a proposal.

(B) The experience of the applicant in conducting methodologically sound medical research.

(C) The potential benefits to the health and well-being of the population.

(D) Other criteria as determined by the council.

(2) In establishing research priorities pursuant to paragraph (1), the council shall give the highest priority to those research projects that have the greatest potential for yielding the most immediate, accessible, and affordable therapies and that seek to enhance patient access to immunotherapy treatments.

(c) (1) The council may establish one or more scientific peer review panels consisting of immunology and immunotherapy experts to review and prioritize proposals on the basis of the selection criteria and research priorities developed by the council pursuant to subdivision (b).

(2) An expert on a scientific peer review panel shall be disqualified from participating in the review of a proposal for funding if the expert has a collaborative or commercial relationship with the applicant.

(d) All grants awarded under this section shall be awarded to researchers or projects primarily located within this state, except that funding for research collaborations between California-based researchers and out-of-state researchers shall be permitted.

(e) (1) The council, by majority vote, shall accept or reject applications for funding received from those public and nonprofit universities and other nonprofit research institutions represented on the council.

(2) The council shall confer with the institute selected by the department pursuant to Section 130353 in making final decisions regarding the funding of grant proposals pursuant to this subdivision.

(f) The council shall develop conflict of interest standards for the consideration of funding proposals based on best practices established by the National Academy of Sciences to prevent conflicts of interest in the award of research funding and shall update those standards not less than every four years to be generally aligned with the standards adopted by the National Academy of Sciences.

130357. (a) The department shall enter into grant agreements with recipients selected by the council pursuant to Section 130356 for the funding of scientific research, development, and clinical trials specifically in the areas of immunology and immunotherapy.

(b) Each grant agreement shall require that all research and development funded under the agreement shall be conducted under established standards of open scientific exchange, peer review, and public oversight.

(c) Each grant agreement shall require that the grant recipient purchase goods and services from California suppliers to the extent reasonably possible, in a good faith effort to achieve a goal of more than 50 percent of those purchases from California suppliers.

(d) Each grant agreement shall require that the grant recipient offer the institute selected by the department pursuant to Section 130353 the opportunity to substantially participate in and collaborate on the funded research.

(e) Each grant agreement shall require that the grant recipient offer the University of California, Los Angeles the opportunity to substantially participate in and collaborate on any clinical trials conducted as part of the funded research.

(f) Each grant agreement shall require that the grant recipient submit to and cooperate with audits conducted pursuant to subdivision (b) of Section 130361.

(g) All grant agreements entered into under this section shall limit indirect costs to 20 percent of a research grant, except that the indirect cost limitation may be increased by that amount by which the grantee provides matching funds in excess of 20 percent of the grant amount.

130358. (a) (1) (A) Any recipient of research funds under this chapter shall pay to the State of California an amount equal to 10 percent of all revenues derived by *the recipient of research funds from the sale, licensing, or any other commercialization or monetization of any intellectual property rights that arise from research funded under this chapter.*

(B) Payments made under subparagraph (A) shall be calculated without regard to whether the research that gave rise to the intellectual property rights was funded wholly or only in part by research funds provided under this chapter.

(C) All payments made under this paragraph shall be paid to the state by the recipient of research funds within 30 days of receipt of any derived revenue.

(2) Payments made pursuant to paragraph (1) shall be deposited into the General Fund until the cumulative amount of those payments equals the total cost to the state of the bonds issued pursuant to Chapter 2 (commencing with Section 130370), including interest paid on the bonds, as determined by the California Immunology and Immunotherapy Finance Committee formed pursuant to paragraph (1) of subdivision (a) of Section 130375.

(3) After the cumulative total described in paragraph (2) has been paid to the General Fund, any additional revenues received pursuant to paragraph (1) shall be deposited into the California Immunology and Immunotherapy Medical Research Fund and shall be expended consistent with the purposes of this chapter.

(b) As a condition of receiving research funds under this chapter, any recipient that licenses or sells a technology or drug developed through research funded pursuant to this chapter shall agree that the licensing or sale for the purpose of making that technology or drug available to California patients, hospitals, or insurance companies, including through a government-funded health care program, shall require that the technology or drug is made available to California patients, hospitals, and insurance companies at a price that is at least 20 percent below the national average price, calculated by excluding California, for the same technology or drug, determined as follows:

(1) During the first 12 months of commercial sales of the technology or drug, patients, hospitals, and insurance companies in California purchasing the technology or drug shall not be charged more than the price at which the technology or drug is sold to patients, hospitals, and insurance companies in any part of the United States other than California.

(2) By the date that is one year after the first commercial sale of the technology or drug, data from the first nine months of sales shall be used to calculate a national average cost. Thereafter, the technology or drug shall be made available to patients, hospitals, and insurance companies in California at a price that is at least 20 percent below the calculated national average price, excluding California.

(3) The national average price, excluding California, shall be calculated annually, and pricing for the technology or drug for California shall be adjusted as necessary to ensure that California purchasers receive savings of at least 20 percent relative to the calculated national average price.

(c) Any recipient of research funds under this chapter shall require that ownership of any intellectual property rights resulting from any funded research is vested in the institute, public or nonprofit university, or nonprofit research institution that received the funding pursuant to subdivision (b) of Section 130352. Steps to require that ownership of any intellectual property rights shall be accomplished via obligations to assign, and actual assignments of, patent and other intellectual property rights by all employees, scientists, researchers, independent contractors, or other individuals receiving funding via grant, contract, or otherwise from funds originating under this chapter to the institute, public or nonprofit university, or nonprofit research institution.

(d) For any intellectual property rights conceived or reduced to practice, patentable or not, based on or resulting from funds disbursed pursuant to subdivision (b) of Section 130352, to the extent that the funding recipient has underlying technology rights, including patents and other intellectual property rights, owned or licensed, that could interfere with the practicing of the new intellectual property rights or otherwise prevent the commercial exploitation of new intellectual property rights, that funding recipient shall grant a worldwide royalty free license to that underlying technology, if that licensee or permitted user has the right to grant sublicenses, or equivalent rights are permitted, specifically limited to the practice of the new intellectual property rights in association with any sale, licensing, or any other commercialization or monetization of new intellectual property rights, that arises from research funded under this chapter.

(e) (1) The institute, in consultation with the department, shall develop a licensing program that achieves all of the following:

(A) Maximizes the revenue derived from the sale, licensing, or any other commercialization or monetization of any intellectual property rights that arise from research funded under this chapter.

(B) Develops standardized licensing terms and negotiation allowances to increase uniformity across all efforts to commercialize or monetize intellectual property rights that arise from research funded under this chapter.

(C) Facilitates repayment of funds to the State of California in accordance with paragraph (1) of subdivision (a) and makes projections for future payments to the State of California based on the totality of licenses resulting from research funded under this chapter.

(2) (A) The institute, in consultation with the department, shall serve as a clearinghouse and approval center for all agreements to sell, license, or otherwise commercialize or monetize intellectual property rights that arise from research funded under this chapter in order to ensure uniformity of critical terms and maximize the revenue derived from those commercialization or monetization efforts.

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(B) All agreements to sell, license, or otherwise commercialize or monetize intellectual property rights that arise from research funded under this chapter, before their execution, shall be provided to the institute for its review, and the institute shall be given an opportunity to make recommendations regarding revising the terms of the proposed agreement.

(C) In all cases in which the institute exercises its option to participate in and collaborate on research pursuant to subdivision (d) of Section 130357, the institute shall have the primary responsibility for negotiating any agreement for the sale, licensing, or other commercialization or monetization of intellectual property rights that arise from that research.

(f) (1) (A) Any licensing agreement entered into by a recipient of research funds under this chapter for the licensing of intellectual property rights that arise from research funded under this chapter shall require that the recipient of research funds receives royalties of not less than 10 percent of gross revenues from the sale or other commercialization or monetization of the intellectual property rights that are the subject of the agreement.

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(B) Notwithstanding subparagraph (A), a licensing agreement entered into by a recipient of research funds under this chapter for the licensing of intellectual property rights that arise from research funded under this chapter may provide for royalties of less than 10 percent of gross revenues if the department determines, in consultation with the institute, that a royalty rate of less than 10 percent in the case of a particular licensing agreement would further the purposes of this chapter. Determinations under this subparagraph shall be made on a case-by-case basis, and, in any event, the department shall not approve a royalty rate of less than 5 percent.

(2) Any agreement entered into by a recipient of research funds under this chapter for the purpose of establishing a joint venture or other business arrangement for the commercialization or monetization of intellectual property rights that arise from research funded under this chapter shall require that the recipient of research funds receives not less than 25 percent of the gross profits from that joint venture or other business arrangement and any subsequent sale of the joint venture or other business arrangement.

(g) Any institute, public or nonprofit university, or nonprofit research institution that receives funding pursuant to subdivision (b) of Section 130352 shall require all employees, scientists, researchers, independent contractors, or other individuals receiving funding via grant, contract, or otherwise from funds originating under this chapter, who desire to publish the results of research from that funding, to provide a copy of the proposed written publication or an outline of an oral disclosure to the institute, public or nonprofit university, or nonprofit research institution for review at least 30 days prior to any publication or presentation. The reviewing institute, public or nonprofit university, or nonprofit research institution shall have the right to do both of the following:

(1) Propose modifications to the publication or presentation for patent reasons or other reasons to be specified with reasonable particularity at that time.

(2) Request a reasonable delay in publication or presentation in order to protect patentable information and allow patent applications protecting intellectual property rights to be filed as determined by the reviewing institute, public or nonprofit university, or nonprofit research institution.

130359. (a) The institute shall issue an annual report to the public that sets forth the institute's activities, research accomplishments, and the future direction of the institute's overall program.

(b) Each annual report shall include, but not be limited to, all of the following:

(1) A summary of research findings, including promising new research areas.

(2) A description of progress toward project goals and key scientific findings or milestones.

(3) The number and type of peer-reviewed publications, patents filed, or clinical trials initiated.

(4) A summary of the institute's administrative expenses.

(5) A report of the institute's strategic research and financial plans.

(c) The annual report shall be published on the institute's internet website.

130360. (a) The council shall issue an annual report to the public that sets forth the grants awarded, grants in progress, research accomplishments, and the future direction of the council's overall grant funding program.

(b) Each annual report shall include, but not be limited to, all of the following:

(1) A summary of research findings by prior grantees, including promising new research areas.

(2) The number and dollar amount of research grants allocated that year.

(3) The grantees for the prior year and a report of their research progress and accomplishments to date.

(4) An assessment of the relationship between the council's grants and the overall strategy of its research program.

(5) A report of the council's strategic research and financial plans.

(6) A summary of the council's administrative expenses.

(c) The annual report shall be published on the department's internet website.

130361. (a) The institute shall annually commission from a certified public accounting firm an independent financial audit of its activities that shall be provided to the Controller. The Controller shall review the audit and annually issue a public report of that review. The

Controller shall hold a public meeting with appropriate notice and a formal public comment period. The Controller shall evaluate public comments and shall include appropriate summaries in the annual report.

(b) The council shall annually commission from one or more certified public accounting firms independent financial audits of its activities and the activities of 10 percent of grantees, selected at random, that have made expenditures with grant funding under this chapter during the audit period. Those independent financial audits shall be provided to the Controller, who shall review the audits and annually issue a public report of that review. The Controller shall hold a public meeting with appropriate notice and a formal public comment period. The Controller shall evaluate public comments and shall include appropriate summaries in the annual report.

130362. (a) (1) There shall be a Citizens' Financial Accountability Oversight Committee consisting of six members.

(2) The California State Auditor, the Treasurer, the President pro Tempore of the Senate, the Speaker of the Assembly, and the chairperson of the council shall each appoint a public member of the committee.

(3) The Controller, or the Controller's designee, shall serve as the chairperson of the committee.

(b) The committee shall do all of the following:

(1) Review the annual financial audits prepared pursuant to Section 130361, the Controller's reports on those audits, and the financial practices of the institute and the council.

(2) Issue an annual report that includes recommendations on the financial practices and performance of the institute and the council.

(3) Evaluate public comments and include appropriate summaries in its annual report.

(c) The committee shall hold public meetings, with appropriate notice, and with a formal public comment period.

(d) The Controller shall furnish the committee with staff support.

130363. (a) Notwithstanding any other provision of law, the institute shall not be deemed a public agency for any purpose under state law, including, but not limited to, Division 10 (commencing with Section 7920.000) of Title 1 of, Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of, and Title 9 (commencing with Section 81000) of, the Government Code.

(b) The Political Reform Act of 1974 (Title 9 (commencing with Section 81000) of the Government Code) shall apply to the council, except as provided in this section.

(1) A member of the council shall not make, participate in making, or in any way attempt to use their official position to influence a decision to approve or award a grant or contract to their employer, but a member may participate in a decision to approve or award a grant or contract to an entity in the same field as their employer.

(2) A member of the council may participate in a decision to approve or award a grant or contract to an entity for the purpose of research involving a disease from which the member or a person in their family suffers.

(3) The adoption of general standards regarding selection criteria and research priorities are not decisions subject to conflict of interest prohibitions.

(c) (1) Service as a member of the council by a member of the faculty or administration of any system of the University of California shall not, by itself, be deemed to be inconsistent, incompatible, in conflict with, or inimical to the duties of the council member as a member of the faculty or administration of any system of the University of California and shall not result in the automatic vacation of either office.

(2) Service as a member of the council by a representative or employee of a nonprofit academic or research institution shall not be deemed to be inconsistent, incompatible, in conflict with, or inimical to the duties of the council member as a representative or employee of that organization or institution.

(d) Section 1090 of the Government Code shall not apply to any grant or contract made by the council except where both of the following conditions are met:

(1) The grant or contract directly relates to services to be provided by any member of the council or the entity the member represents, or financially benefits the member or the entity the member represents.

(2) The member fails to recuse themselves from making, participating in making, or in any way attempting to use their official position to influence a decision on the grant or contract.

130364. The department may adopt, amend, and rescind rules and regulations to carry out the purposes and provisions of this chapter.

Chapter 2. California Immunology and Immunotherapy Bond Act of 2026

130370. This chapter shall be known, and may be cited, as the "California Immunology and Immunotherapy Bond Act of 2026."

130371. For purposes of this chapter, the following terms have the following meanings:

(a) "Board" means the State Department of Public Health, designated pursuant to subdivision (b) of Section 130375.

(b) "Committee" means the California Immunology and Immunotherapy Finance Committee created pursuant to subdivision (a) of Section 130375.

(c) "Fund" means the California Immunology and Immunotherapy Medical Research Fund created pursuant to Section 130377.

(d) "State General Obligation Bond Law" means the State General Obligation Bond Law codified in Chapter 4 (commencing with Section 16720) of Part 3 of

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Division 4 of Title 2 of the Government Code, as amended from time to time.

130372. (a) Bonds in the total amount of eight billion four hundred million dollars ($8,400,000,000), not including the amount of any refunding bonds issued in accordance with Section 130383, or as much thereof as is necessary, may be issued and sold to provide funding to carry out the purposes expressed in this division and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

(b) The bonds, when sold, issued, and delivered, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the state is hereby pledged for the punctual payment of both the principal of, and interest on, the bonds as the principal and interest become due and payable.

(c) The Treasurer shall issue and sell the bonds authorized in subdivision (a) in the amount determined by the committee to be necessary or desirable pursuant to Section 130376. The bonds shall be issued and sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 130376.

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130373. Notwithstanding Section 13340 of the Government Code or any other provision of law, moneys in the fund are appropriated without regard to fiscal years for the following purposes:

(a) Conducting medical research in the fields of immunology and immunotherapy, as described in Chapter 1 (commencing with Section 130350), including any costs incurred in supporting and administering that research.

(b) Paying the costs of issuing bonds.

(c) Paying any other costs described in this division and in the State General Obligation Bond Law.

130374. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter, except that subdivisions (a) and (b) of Section 16727 of the Government Code shall not apply.

130375. (a) (1) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the California Immunology and Immunotherapy Finance Committee is hereby created. For purposes of this chapter, the California Immunology and Immunotherapy Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law.

(2) The committee shall consist of the Treasurer, the Controller, and the Director of Finance.

(3) The Treasurer shall serve as the chairperson of the committee.

(4) A majority of the committee may act for the committee.

(5) Notwithstanding any other law, a member of the committee may designate a representative to act as that member in the member's place, for all purposes, as though the member were personally present.

(b) The State Department of Public Health is designated as the "board" for purposes of the State General Obligation Bond Law.

130376. (a) Upon written request by the research institute selected by the State Department of Public Health pursuant to Section 130353, stating that funds are needed to carry out the purposes of Chapter 1 (commencing with Section 130350), the board shall request the committee to issue bonds pursuant to this chapter. Upon receiving that request from the board, the committee shall determine by resolution whether or not it is necessary or desirable to issue and sell the bonds authorized pursuant to this chapter in order to carry out the actions specified in this chapter and, if so, the amount of bonds to be issued and sold.

(b) Successive issues of bonds may be authorized and sold to carry out the purposes of Chapter 1 (commencing with Section 130350) progressively, and it is not necessary that all of the bonds be issued or sold at any one time.

(c) The bonds may bear interest which is includable in gross income for federal income tax purposes if the committee determines that this treatment is necessary or desirable in order to provide funds for the purposes of Chapter 1 (commencing with Section 130350).

130377. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the State Treasury to the credit of the California Immunology and Immunotherapy Medical Research Fund, which is hereby created in the State Treasury.

130378. There shall be collected each year, in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds becoming due each year. It is the duty of all officers charged by law with any duty in regard to the collection of revenue to do and perform each and every act that is necessary to collect that additional sum.

130379. Notwithstanding Section 13340 of the Government Code, there is hereby continuously appropriated from the General Fund in the State Treasury, for the purposes of this chapter and without regard to fiscal years, an amount that equals the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 130380.

130380. For purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from *the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this chapter, excluding any refunding bonds authorized pursuant to Section 130383, less any amount loaned pursuant to Section 130381 and not yet repaid, and any amount withdrawn from the General Fund pursuant to this section and not yet returned to the General Fund. Any amount withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from money received from the sale of bonds for the purpose of carrying out this chapter.*

130381. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312 of the Government Code for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter, excluding any refunding bonds authorized pursuant to Section 130383, less any amount loaned pursuant to this section and not yet repaid and any amount withdrawn from the General Fund pursuant to Section 130380 and not yet returned to the General Fund. The board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

130382. All moneys deposited in the fund that are derived from premium and accrued interest on bonds sold pursuant to this chapter shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest, except that amounts derived from premium may be reserved and used to pay costs of bond issuance prior to any transfer to the General Fund.

130383. (a) The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code.

(b) Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

(c) Any bond refunded with the proceeds of refunding bonds as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing that refunded bond.

130384. Notwithstanding any provision of this chapter or the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, under designated conditions, or is otherwise entitled to any federal tax advantage, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment of earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

130385. The proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, and the disbursement of these proceeds is not subject to the limitations imposed by that article.

SEC. 5. Severability.

It is the intent of the people that the provisions of this act are severable and that if any provision of this act, or part thereof, is held to be invalid, such invalidity shall not affect any other provision of this act that can be given effect without the invalid provision.

SEC. 6. Liberal Construction.

This act shall be liberally construed and applied in order to fully promote its underlying purposes.

SEC. 7. Amendment.

The provisions of this act may be amended by a statute that is passed by a two-thirds vote of the members of each house of the Legislature and signed by the Governor, provided that such amendments further the purposes of this act, except no such statute shall amend the provisions of this act regarding the allocation and disbursement of bond proceeds or the purposes for which bond proceeds may be expended.

PROPOSITION 39

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds a section to the California Constitution; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Findings and Purposes.

To enforce existing voter qualifications, including US citizenship, established by California's Constitution, the people hereby amend the California Constitution: (A) to promote public confidence and trust in the electoral process, which encourages civic participation and supports a healthy democracy; (B) to deter and detect voter fraud by maintaining accurate voter registration records and confirming eligibility to vote; and (C) to minimize the risk of voter impersonation by requiring proof of identity to vote.

SEC. 2. California Voter Identification Reforms.

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SEC. 2.1. Section 3.1 is added to Article II of the California Constitution, to read:

Sec. 3.1. (a) The Secretary of State, and county elections officials, shall each have the duty to maintain accurate voter registration lists, shall use best efforts to verify citizenship attestations using government data, and shall annually report what percentage of each county's voter rolls have been citizenship-verified.

(b) Each time a voter casts a ballot in person in any election in the State, the voter shall present government-issued identification, or if voting by mail, the voter shall provide the last four digits of a unique identifying number from government-issued identification that matches the one designated by the voter for their voter registration. The type of identification designated by each voter must be indicated in their voter registration record, noted on the mail ballot envelope provided to them, and available to them on request by phone or electronically. Election officials shall only count a regular or provisional ballot after verifying the identity of the person voting pursuant to the requirements of this section, and verifying that the person has cast only one ballot in the election. Government-issued identification means documentation that allows conclusive verification of the voter's identity. Upon request by an eligible voter, the State shall provide, at no charge, a voter ID card for use in casting a ballot.

(c) This section shall be self-executing. The Legislature shall also promptly enact laws to implement this section, provide for voting by military and overseas voters consistent with federal law, and ensure that all State and local officials comply and support the compliance with this section. Citizens may seek judicial review and remedy of the State's or any county's compliance with this section. During every odd-numbered year, the California State Auditor shall audit the State's and each county's compliance with this section and report its findings and recommendations for improving the integrity of elections to the public.

SEC. 3. Severability.

The provisions of this act are severable. If any portion, section, subdivision, paragraph, clause, sentence, phrase, word, or application of this act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this act, which shall be given effect without the invalid portion or application.

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PROPOSITION 40

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds a section to the California Constitution and amends and adds sections to the Government Code and Revenue and Taxation Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

The 2026 Billionaire Tax Act

The people of California do enact as follows:

SECTION 1. Title.

This act shall be known, and may be cited, as the 2026 Billionaire Tax Act.

SEC. 2. Findings.

(a) The people recognize that access to adequate health care, quality public education, and nourishing food is essential to human dignity and to the prosperity and resilience of the entire state. The cascading impacts of looming federal funding cuts for health care, education, and food programs now threaten these foundations and place the welfare of all Californians at risk.

(b) California's health care safety net is under extraordinary threat, as Medi-Cal—the backbone of coverage for nearly 15 million low-income Californians, including more than half of the state's children, 2.2 million seniors and people with disabilities, and one in five of all working adults—faces billions in federal funding cuts which will only exacerbate existing challenges.

(c) Medi-Cal is projected to lose up to $19 billion in annual federal funding due to the implementation of the most recent federal budget legislation and administrative action, shifting costs to the state General Fund and local governments or forcing reductions in needed services. Over the next ten years, federal cuts to Medi-Cal alone are projected to total approximately $190 billion.

(d) The loss of billions in federal funding further stresses California's already underfunded health care safety net. The 2025–26 state budget included several new restrictions, including cuts to providers and significant reductions in benefits and services for Medi-Cal enrollees. State cuts to Medi-Cal are estimated to reach $7 billion in 2027–28, rising to $8.6 billion each year from 2028–29 onward.

(e) Even before these federal and state cuts, Medi-Cal funding was too low for many health care providers to maintain current levels of service because Medi-Cal typically reimburses hospitals and clinics at rates significantly below the actual cost of providing care.

(f) Hospitals and primary care clinics, particularly in rural areas, have faced extreme financial pressure, operating losses, and staffing cutbacks as a result of these chronic underpayments. Medi-Cal is the source of health coverage for half of all births statewide. Recent years have seen closures of vital maternity wards and emergency departments, all attributed in large part to low Medi-Cal reimbursement rates.

(g) Investment in Medi-Cal is an investment in every family's health security. It keeps primary care clinics and community health centers open across towns and cities, allowing people to manage chronic conditions, prevent costly complications, and live longer, healthier lives. Every dollar cut from these programs reverberates: clinics close, families lose doctors, and patients suffer needlessly from conditions that could have been prevented or managed.

(h) Access to affordable, high-quality care saves lives, shields families from crushing medical debt, and strengthens communities. When coverage is lost or diluted, hospitals and clinics are forced to make impossible choices—cutting back on staff, restricting services, or closing entire units—leaving whole populations without a safety net and undermining the health of all Californians.

(i) As Medi-Cal funding is threatened by reduced federal funding and state appropriations, Californians also face soaring private health insurance premiums. These twin pressures only increase the number of uninsured and underinsured, as employers scale back benefits and disrupt dependent coverage, and as individuals drop unaffordable health coverage.

(j) Every child in California deserves access to high quality education. Today California public schools face unprecedented uncertainty caused in part by cuts to Medi-Cal and the Supplemental Nutrition Assistance Program (SNAP).

(k) In addition, current federal budget proposals for 2026 would impose deep cuts on overall funding to public schools, particularly for high-need students, rural schools, and disadvantaged communities.

(*l*) These federal disruptions arrive as California's schools are still reeling from recent state budget shortfalls and looming payment deferrals. On top of this, declining enrollment and enrollment-related funding, rising costs, and increasing student needs are putting school districts under mounting budgetary pressure.

(m) More than 5 million Californians—among them, children, families, seniors, and people with disabilities—depend on the lifeline of CalFresh, California's Supplemental Nutrition Assistance Program (SNAP), to put food on the table in a state where one in five experience hunger due to food insecurity.

(n) The historic federal cuts to SNAP in recent federal budget legislation will strip away billions of dollars in vital food assistance from our most vulnerable neighbors, translating into the loss of millions of meals and deepening hunger across communities already struggling to make ends meet.

(o) Robust evidence shows that SNAP and CalFresh not only alleviate hunger, but also dramatically improve health and educational outcomes for California's children, break cycles of poverty, and build stronger futures for entire families.

(p) These cuts will further pressure already strained state efforts and the limited resources of food banks and local agencies such as CalFood and the California Food Assistance Program.

(q) Collectively, these reductions in federal funding and state appropriations impose compounding risks for low- and moderate-income Californians seeking access to essential health care, education and nutrition. They also threaten California's ability to plan for its future, which requires continued investments in its critical state programs.

(r) California has around 200 billionaires who collectively possess an astonishing $2 trillion in wealth. These billionaires pay less than 1.5% of their total wealth in annual taxes, including federal, state, and local taxes, according to leading economic estimates—a small fraction of what ordinary Californians pay.

(s) There are more than 19 million taxpayers in California who are not billionaires. They include working-class individuals such as nurses, teachers and firefighters, as well as wealthier taxpayers like highly compensated professionals, entrepreneurs, and tech industry workers. All of these Californians pay tax on a much larger portion of their true economic income than the state's billionaires do. According to economic analysis and including all taxes at all levels of government, billionaires pay 24% of their income in taxes while the average taxpayer pays 30%. This means that the average taxpayer pays a 25% larger share of their economic income, taking into account all state and federal taxes, than the average billionaire. See Akcan Balkir, Emmanuel Saez, Danny Yagan, and Gabriel Zucman, How Much Tax Do US Billionaires Pay? Evidence from Administrative Data, National Bureau of Economic Research Working Paper No. 34170 (2025).

(t) A wealth tax is not a new concept under California law; narrower and less progressive wealth taxes are already paid by wealthy and low-income Californians alike. These taxes include the annual Vehicle License Fee, a tax based on 0.65% of the value of a vehicle, and the annual property tax on housing of about 1% on the assessed value of a house.

(u) The immense and growing fortunes of billionaires bring privileges inaccessible to most. Whereas nurses, teachers, firefighters, and tech workers alike pay taxes on nearly all of their earned income, billionaires can shield enormous sums from taxation. Their primary assets—stocks, businesses, real estate—grow in value year after year, but because this growth is taxed only at sale and billionaires often need not sell, they pay no tax on their rising fortunes. Moreover, when these types of assets are passed to heirs, current laws enable billions of dollars in untaxed wealth to be inherited without ever triggering an income tax bill. Many also employ complex financial strategies to relocate wealth "on paper" while, in reality, continuing to benefit from California's economy and infrastructure.

(v) Scholars have shown that closing these billionaire loopholes is possible, practical and fair. They demonstrate that carefully crafted policy can preserve entrepreneurial success while safeguarding the state economy and avoiding undue burden on administrators or the broader taxpayer base. See Brian Galle, David Gamage, and Darien Shanske, Money Moves: Taxing the Wealthy at the State Level, 113 California Law Review 635 (2025).

(w) Since the 1980s, the wealth of billionaires has grown by an average 7% each year, vastly outpacing the growth in wages and savings for ordinary Californians. The collective wealth of California billionaires has surged from $300 billion in 2011 to $700 billion in 2019 to over $2 trillion in 2025. The wealth tax imposed by this act would only modestly slow this explosive growth, collecting less than the billionaires typically gain in just a single year. California billionaires, even after paying the tax, will continue to amass ever-rising fortunes.

(x) According to leading economists, billionaire wealth is more concentrated in California than in the United States overall. As a result, the state is uniquely positioned to address both the well-documented crisis of wealth inequality in the United States and the emerging and interrelated crises the state faces with respect to health care, education and hunger-relief programs.

(y) Billionaires have built their extraordinary fortunes with the help of California resources and were the largest beneficiaries of the federal legislation that contributed to the current state budget crisis. It therefore is both necessary and equitable to ask those who have benefitted most from California's resources to contribute proportionately to support health care, education, and nutrition in California through a one-time 5% tax on billionaire wealth.

(z) In light of the emergency funding situation, to ensure that revenues collected can be spent without unnecessary delay, and to remove uncertainty created from any legal challenges, the people have provided for expedited judicial review of this act.

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SEC. 3. Purpose and Intent.

(a) The purpose of the 2026 Billionaire Tax Act, referred to herein as the "act," is to protect access to high quality, equitable health care, and to support funding for kindergarten through grade fourteen public education and food assistance programs, by raising revenue from a one-time tax on billionaire wealth.

(b) Revenues from the act are intended to respond to urgent, existing health care, education, and nutrition needs that are being worsened by reductions in federal and state funding and by broader fiscal uncertainty facing the state.

(c) By designating billionaire wealth the source of this critical revenue, the act confronts the fundamental unfairness that arises because a large percentage of billionaire wealth is never taxed by the state due to billionaires' unique ability to control the timing, location, and amount of income tax that they pay.

(d) The act raises funding for health care, education, and food assistance by imposing a narrowly applicable, one-time tax that is administratively feasible and efficient to enforce against all billionaires in the state.

(e) The act is intended to treat similarly situated taxpayers and assets similarly, except to the extent that sound tax policy requires otherwise.

SEC. 4. Section 37 is added to Article XIII of the California Constitution, to read:

Sec. 37. (a) This section authorizes and enables a one-time tax on the accumulated wealth of California billionaires, imposed on those individuals who are California residents within the meaning of Sections 17014 and 17015.5 of the Revenue and Taxation Code as of the tax obligation date as defined in the 2026 Billionaire Tax Act.

(b) The following definitions apply to this section:

(1) "Act" refers to the 2026 Billionaire Tax Act.

(2) "Reserve Fund" refers to the 2026 Billionaire Tax Reserve Fund, created by this act.

(c) Notwithstanding any other provision of the Constitution, the act provides for taxation on all forms of personal property and wealth, whether tangible or intangible, and allows for the classification of personal property and wealth for differential taxation or for exemption, for the purpose of imposing the one-time tax on the wealth of California billionaires. Personal property and wealth that is so taxed includes, but is not limited to, shares of capital stock, bonds or other evidences of indebtedness, and any legal or equitable interest therein.

(d) The 2026 Billionaire Tax Reserve Fund is hereby created in the State Treasury. All revenues from the act, including taxes, interest, and penalties, and less refunds, shall be deposited in the State Treasury by the Controller to the credit of the Reserve Fund. After accounting for administrative expenses as provided by law, the Controller shall allocate and transfer the remaining moneys in the Reserve Fund to the following subaccounts, which are hereby created: 90% to the Billionaire Tax Health Account and 10% to the Billionaire Tax Education and Food Assistance Account. The moneys in the Billionaire Tax Health Account and the Billionaire Tax Education and Food Assistance Account shall be allocated as provided by law.

(e) Notwithstanding any other law, the Reserve Fund is a special fund, permanently separate and apart from the General Fund or any other state fund or account. The taxes and the moneys resulting from the act shall not be considered to be part of the General Fund, as that term is used in Chapter 1 (commencing with Section 16300) of Part 2 of Division 4 of Title 2 of the Government Code; and shall not be considered "General Fund revenues," "state revenues," "moneys," or "proceeds of taxes" under Section 8 of Article XIII B for the purposes of any section of Article XIII B, or Section 8 or 8.5 of Article XVI. Any revenue raised through the act shall also not be considered "personal income taxes paid on net capital gains" for purposes of Section 20 of Article XVI. The taxes levied by this act are not "ad valorem taxes on real property" for purposes of Section 1 of Article XIII A. To the extent any provision of Article XIII A would otherwise be construed to limit, restrict, or apply to the rate, base, valuation, or imposition of the tax authorized by this section, that provision shall not apply to, and is superseded by, this section. Notwithstanding Section 16305.7 of the

Government Code, any interest or dividends earned on moneys in the Reserve Fund shall be retained in the Reserve Fund and used solely for the specific purposes set forth in this subdivision and as provided by the act.

(f) "Appropriations subject to limitation" of each entity of government and the state under Article XIII B shall not include appropriations of revenue from the Reserve Fund. No adjustment in the appropriations limit of any entity of government shall be required pursuant to Section 3 of Article XIII B as a result of revenue being deposited in or appropriated from the Reserve Fund.

(g) Except as provided in Sections 16310 and 16381 of the Government Code as those sections read on January 1, 2025, and except as otherwise provided in this act, moneys in the Reserve Fund shall not be borrowed, loaned, or otherwise transferred to the General Fund or any other state or local fund or account. Moneys deposited into the Reserve Fund shall only be used for the specific purposes provided by law. Action shall not be taken that permanently or temporarily changes the status of the Reserve Fund or borrows, diverts, or appropriates the moneys in the Reserve Fund in a manner inconsistent with this subdivision.

(h) Notwithstanding Section 32 or any other provision of law, a facial challenge to the 2026 Billionaire Tax Act is authorized to be adjudicated through a validation action under Section 50314 of the Revenue and Taxation Code without requiring the payment of the tax claimed to be facially invalid. This subdivision is adopted without implication as to current authority or the development of law other than this act. Nothing in this subdivision limits any taxpayer's right to pay a tax imposed under this act and seek a refund or judicial review, or to bring any other action that is otherwise authorized by law and not inconsistent with this subdivision.

SEC. 5. Article 1.1 (commencing with Section 16355) is added to Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, to read:

Article 1.1. 2026 Billionaire Tax Reserve Fund

16355. (a) Section 37 of Article XIII of the California Constitution provides for the creation of the 2026 Billionaire Tax Reserve Fund, into which all revenues from the 2026 Billionaire Tax Act shall be deposited.

(b) After accounting for administrative expenses as provided in subdivision (e), the Controller shall allocate and transfer the remaining moneys in the Reserve Fund as follows:

(1) Ninety percent shall be allocated to the Billionaire Tax Health Account for health care funding, including, but not limited to, expenditures to restore or address any reductions in federal funding or state appropriations; investments to protect or enhance Medi-Cal and other health coverage programs for low- and moderate-income individuals; support for safety net health care providers serving vulnerable populations; preventing or mitigating facility closures or reductions in service levels; and other investments to support health care access, coverage, benefits, funding, services, and payments to providers.

(2) Ten percent shall be allocated to the Billionaire Tax Education and Food Assistance Account for education-related and food assistance expenditures, including both of the following:

(A) Education-related expenditures to restore or address any reductions in federal funding or state appropriations, or to make investments to protect or enhance the kindergarten through grade 14 public education system.

(B) Food assistance expenditures to restore or address any reductions in federal funding or state appropriations, or further investments in programs, including CalFresh, CFAP, CalFood, or California's universal meals programs for school meals.

(c) The Legislature shall have the authority to appropriate up to twenty-two billion five hundred million dollars ($22,500,000,000) each fiscal year from the Billionaire Tax Health Account and up to two billion five hundred million dollars ($2,500,000,000) each year from the Billionaire Tax Education and Food Assistance Account. The Legislature may appropriate lower amounts if it determines that retaining funds in reserve is needed to further the purposes of the measure.

(d) The appropriation of moneys from the Reserve Fund shall not be used as justification for reducing, eliminating, or failing to increase other state appropriations for health care, education, or food assistance programs. The appropriation of funds from this measure shall not be used to supplant existing state funds for health care, education, or food assistance programs.

(e) The Director of Finance shall transfer to the Franchise Tax Board, as a start-up loan from the Reserve Fund or General Fund, up to fifty million dollars ($50,000,000) for the first year following passage of this act for actual and necessary costs in administering its duties under this act and for evaluating their efficacy. Any loan made pursuant to this subdivision shall be repaid with taxes collected pursuant to the 2026 Billionaire Tax Act and prior to making any expenditures or appropriations from the Reserve Fund. In subsequent years, the Franchise Tax Board shall be annually reimbursed from the Reserve Fund for actual and necessary costs in administering its duties under this act and for evaluating their efficacy. Any interagency agreements entered into by the Franchise Tax Board for administration of this act shall be covered by the amounts provided in this subdivision.

(f) Upon enactment of the 2026 Billionaire Tax Act and each fiscal year thereafter that the Reserve Fund is in existence, the Department of Finance, in consultation with relevant state agencies, shall provide to the Legislature all the following information:

(1) The current balance in the Reserve Fund as of the reporting date.

(2) The estimated revenue to be generated for the Reserve Fund for the current fiscal year, and for the

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period for which the 2026 Billionaire Tax Act is anticipated to generate revenues for the Reserve Fund.

(3) The estimated and, where reasonably determinable, actual amounts required to restore reductions in federal funding and state appropriations, as defined in subdivision (h).

(4) Proposed expenditures from the Reserve Fund for the coming fiscal year intended to restore reductions in federal funding and state appropriations as defined in subdivision (h).

(5) Past expenditures, if any, from the Reserve Fund, and their allocations.

(6) The amount, if any, recommended to be held in reserve for subsequent fiscal years based on anticipated future reductions in federal funding and state appropriations.

(7) A certification that moneys from the Reserve Fund are not being used to supplant or replace state funding that would otherwise be appropriated.

(g) Upon a determination by the Director of the Department of Finance that all revenues from the 2026 Billionaire Tax Act have been collected and spent, the Legislature shall have the authority to abolish the Reserve Fund.

(h) For purposes of this section:

(1) "Reductions in federal funding" and other references to reductions or cuts in federal funding mean any decrease in federal financial participation, grants, payments, reimbursements, or other federal funding provided to California for health care, education, or food assistance programs, when compared to state fiscal year 2024–25 levels, adjusted for inflation and population growth, including, but not limited to: (A) reductions in Medicaid's federal medical assistance percentages; (B) changes in federal eligibility rules that reduce covered populations; (C) reductions in federal discretionary appropriations; (D) caps or limitations on federal provider taxes or directed payments; (E) work requirements or other administrative conditions that reduce enrollment; (F) reductions in retroactive coverage periods; (G) implementation of Public Law 119-21; or (H) other reductions in federal funding that threaten or cause reductions in Medi-Cal or other health care coverage, access, benefits, funding, programs, services, and payments to providers that affect low- and moderate-income individuals, to statewide education or food assistance funding, or to the health care safety net more generally.

(2) "Reductions in state appropriations" or other references to reductions or cuts in state appropriations mean a decrease in appropriations for any and all statewide health care, education, or food assistance programs below state fiscal year 2024–25 levels that result in reductions to Medi-Cal or other health care coverage, access, benefits, funding, programs, services, and payments to providers that affect low- and moderate-income individuals, unless these reductions are caused by documented caseload, enrollment, or population declines that are independent of federal funding reductions; or reductions in state appropriations for public kindergarten through grade 14 education programs or food assistance programs.

(3) "Reserve Fund" refers to the 2026 Billionaire Tax Reserve Fund.

SEC. 6. Section 17220 of the Revenue and Taxation Code is amended to read:

17220. (a) Section 164(a)(3) of the Internal Revenue Code, relating to the deductibility of state, local, and foreign income, war profits, and excess profits taxes, shall not apply.

(b) Section 164(b)(5) of the Internal Revenue Code, relating to general sales taxes, shall not apply.

(c) Section 164(b)(6) of the Internal Revenue Code, relating to the limitation on individual deductions for taxable years 2018 to 2025, shall not apply.

(d) In addition to the provisions of Section 164(c) of the Internal Revenue Code, relating to deduction denied in case of certain taxes, no deduction shall be allowed for any tax imposed under Chapter 10.5 (commencing with Section 17935), Chapter 10.6 (commencing with Section 17941), or Chapter 10.7 (commencing with Section 17948) of this part or under Part 11 (commencing with Section 23001).

(e) No deduction shall be allowed for any tax imposed by the state on net worth, including the 2026 Billionaire Tax Act (Part 27 (commencing with Section 50300)) notwithstanding any other provision of law, including Section 164(a)(2) of the Internal Revenue Code, relating to the deductibility of taxes on personal property.

SEC. 7. Part 27 (commencing with Section 50300) is added to Division 2 of the Revenue and Taxation Code, to read:

PART 27. 2026 BILLIONAIRE TAX ACT

Chapter 1. Imposition of Tax on Personal Wealth in Excess of $1 Billion in Net Worth

50300. This part shall be known, and may be cited, as the 2026 Billionaire Tax Act.

50301. (a) An excise tax is imposed for tax year 2026 on the activity of sustaining excessive accumulations of wealth by applicable individuals with net worth of one billion dollars ($1,000,000,000) or more, and on applicable trusts. For purposes of this part, whether an individual or trust is an applicable individual or applicable trust is determined as of the tax obligation date, and the amount of net worth subject to tax is measured as of the valuation date. For purposes of this section respecting the filing of returns, a married couple shall be considered as one individual.

(b) For individuals and trusts on whom tax is imposed under subdivision (a), the tax imposed is 5 percent of the net worth of such individual or trust. In the case of an individual, other than a trust, having net worth less than one billion one hundred million dollars ($1,100,000,000), the tax imposed by this section shall be reduced by 0.1 percentage point, but not below zero, for each two million dollars ($2,000,000) by which that person's net worth falls below one billion one hundred

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million dollars ($1,100,000,000). In the case of an individual, other than a trust, who opts to initiate an optional deferral account (ODA), pursuant to Section 50304, assets attached to the ODA are not subject to tax under this section until specified by Section 50304.

(c) Except as provided in subdivision (b), any additional tax payable as a result of this section or Section 50304 for any tax year shall be reported with, and is due at the same time as, the annual income taxes of a taxpayer under Part 10 (commencing with Section 17001). A taxpayer owing any additional tax imposed under this section shall have the option either to (1) pay any tax due under this part along with any income tax owed for the 2026 tax year; or (2) pay annually in five equal installments commencing in the year the tax is due, with each subsequent annual installment payment also being subject to an annual nondeductible deferral charge of 7.5 percent of the remaining unpaid balance.

(d) At the time a return is filed pursuant to Section 18501, relating to the filing of an income tax return, for the 2026 tax year, every California resident individual required to file shall do either of the following:

(1) Declare that the individual's net assets were worth less than or equal to one billion dollars ($1,000,000,000) as of the valuation date.

(2) Submit a declaration of the amount of any additional tax that is owed under this part, together with any forms created by the board for calculating any additional tax owed under this part, along with any required appraisals or other evidence of fair market value. In the case of an applicable individual who is not required to make a return under Section 18501, that individual shall submit, at the time and in the manner for filing otherwise required for the making of an income tax return, the declaration, forms, appraisals, or evidence described in this paragraph.

(e) Board audit responsibility.

(1) The board shall examine all returns submitted in accordance with this part and shall determine the correct amount of the tax under this part. The board shall also examine all certifications or returns of taxpayers when the board reasonably believes the taxpayers should have paid the tax imposed by this part. Without limiting any other powers of the board, in examining the returns made by taxpayers and examining whether returns should have been made by taxpayers but were not, the board has all powers provided in Section 19504.

(2) Notwithstanding the previous paragraph, the board retains the authority to use its sound discretion as to the length and nature of the examination that is appropriate under the circumstances.

Chapter 2. Computation of Net Worth

50302. Genuine debts and other liabilities owed by the taxpayer shall be taken into account for purposes of determining the taxpayer's net worth. In addition, debts and liabilities shall be taken into account subject to the following limitations:

(a) Recourse debts for which the taxpayer is fully personally liable, without any limitations other than those arising from bankruptcy law, shall be fully taken into account.

(b) In the case of debts other than recourse debts described in subdivision (a), for each debt or liability, the amount that may be taken into account shall not exceed the amounts included in the taxpayer's net worth on account of the assets serving as collateral for the debt or liability.

(c) Debts and other liabilities of a taxpayer's sole proprietorship shall reduce net worth as if they were debts or other liabilities of the taxpayer. The taxpayer's net worth shall not be reduced by the amount of debts or other liabilities of a partnership, limited liability company, or other business entity, other than a sole proprietorship, that are allocated to the taxpayer for purposes of computing tax, except to the extent that the taxpayer is personally liable for that debt or other liability.

(d) A taxpayer's net worth shall not be reduced by the taxpayer's guarantee of another's debts or other liabilities.

(e) No debt or liability, including recourse debts described in subdivision (a), shall reduce net worth if the debt or liability is owed to a related person or persons; if the existence or amount of the liability is contingent on future events that are substantially uncertain to occur or that are substantially uncertain to occur within the subsequent five years; or if the debt or liability was not negotiated for at arm's length. Additionally, no amounts shall be taken into account for any debt or liability unless market rates of interest are being charged to the taxpayer.

(f) A pledge to make a subsequent contribution to a charitable or philanthropic organization shall not reduce net worth unless that pledge is legally enforceable by the organization to which that contribution is pledged, and in any event no pledge may reduce net worth if that pledge is entered into after October 15, 2025.

(g) Any debts or liabilities of a taxpayer in exchange for which the taxpayer is entitled to receive future benefits or future ownership rights, including a contractual obligation to contribute to an entity at a future date, shall only reduce net worth to the extent that:

(1) The value of those future benefits or ownerships rights is included in the taxpayer's net assets.

(2) The taxpayer can demonstrate, through clear and convincing evidence, that the amount owed under the debt or liability is in excess of any future benefits or ownership rights that are not included in the taxpayer's net assets.

(3) In the case of a legally enforceable pledge to make a subsequent contribution to a charitable or philanthropic organization, the value of any future benefits received in exchange shall be zero, except to the extent that those benefits would constitute a substantial benefit for purposes of determining the contributor's charitable contribution deduction.

50303. (a) Unless otherwise specified by the board, and except as otherwise specified in this section, the fair market value of each asset owned by a taxpayer is the price at which the asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of relevant facts. The location of an asset shall be taken into account wherever appropriate. For an asset that is generally obtained by the public in the retail market, the fair market value of the asset is the price at which the item or a comparable item would be sold at retail. The fair market value of an asset shall not be either of the following:

(1) The price that a forced sale of the property would produce.

(2) The sales price in a market other than that in which the property is most commonly sold to the public, if the price in that market would result in a lower fair market value, except in the case of property subject to Section 423, relating to the valuation of restricted open-space land.

(b) Any feature of an asset, including a shareholder rights plan, shall not be taken into account in determining the asset's value where a significant purpose and effect of adding the feature is to reduce the appraised value of the asset. No valuation or other discount shall be taken into account if that discount would have the effect of reducing the value of a partial interest in an asset below the taxpayer's pro rata portion of the value of the entire asset.

(c) The following valuation methods, exclusions, and reporting requirements shall apply to the following specific asset types:

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(1) For all publicly traded assets, the fair market value of the asset shall be presumed to be the asset's market trading value on the valuation date, as defined in subdivision (o) of Section 50308.

(2) For all sole proprietorships, all assets owned by or held through a sole proprietorship shall be reported and valued as though they were directly owned and held by the taxpayer and not through a sole proprietorship.

(3) Except assets and entities governed by paragraphs (1) and (2), for all interests in any business entities, including all equity and ownership interests, all debt interests, and all other contractual or noncontractual interests, valuation shall be conducted as follows:

(A) The taxpayer shall report the following at the time when forms are filed pursuant to this chapter:

(i) The percentage of the business entity owned by the taxpayer.

(ii) The book value of the business entity as of the end of the tax year, determined according to generally accepted accounting principles.

(iii) The book profits of the business entity in the tax year according to generally accepted accounting principles. For purposes of this paragraph, "the tax year" of the business entity means the latest tax year of the business entity ending within or with the tax year of the taxpayer.

(B) If the reporting required under subparagraph (A) is impossible because the taxpayer lacks information on the book value or the book profits of the business entity and also lacks the right to obtain that information, the taxpayer must submit a certified appraisal of all of the taxpayer's interests in the business entity.

(C) For any interests that confer voting or other direct control rights, the percentage of the business entity owned by the taxpayer shall be presumed to be not less than the taxpayer's percentage of the overall voting or other direct control rights.

(D) For any profits interests in a business entity, the percentage of the entity owned by the taxpayer shall be presumed to be not less than the maximum percentage interest of the entity's profits the taxpayer may earn, without respect to whether that profits interest is subject to a condition precedent that has not yet been met.

(E) Except for assets and entities governed by paragraphs (1) and (2), for all other interests in any business entities, including all equity and other ownership interests, all debt interests, and all other contractual or noncontractual interests, the fair market value of those interests at the end of any tax year shall be presumed to be the sum of the book value of the business entity according to generally accepted accounting principles as of the end of the tax year plus a present-value multiplier of 7.5 times the annual book profits of the business entity, as averaged over the current tax year and the preceding two tax years, if available, according to generally accepted accounting principles, with this entire sum then multiplied by the percentage of the business entity owned by the taxpayer as of the end of the tax year. In the case of a private equity entity, this value shall not be less than the sum of the value, as determined under this subdivision, of each entity owned by the private equity entity, over the liabilities, other than profits interests, of the private equity entity. For purposes of this subparagraph, if the average book profits over the relevant period are less than zero, they shall be treated as zero. The board may permit a taxpayer to compute book value and book profits using an accounting method other than generally accepted accounting principles if the business to be valued consistently maintains its books and records and reports income and expenses using that other method.

(F) If the taxpayer or the board can demonstrate with clear and convincing evidence that the presumed value under subparagraph (C), (D), or (E) would substantially overstate or understate the actual value of the business entity owned by the taxpayer or the percentage owned by the taxpayer, the taxpayer or the board may instead submit a certified appraisal of the percentage of the business entity owned by the taxpayer and then use the certified appraisal value in place of the presumed percentage method.

(4) All interests in any real property held directly by a taxpayer or held via a revocable trust shall not be

included in net worth. To the extent valuation of real property is required, the value used for calculating the property factor of the Corporate Income Tax, under Section 25129, is to be used.

(5) Tangible personal property located outside California is excluded if located outside California for at least 270 days during 2026, except that an asset shall not be so excluded if relocated temporarily with a substantial purpose of avoiding tax.

(6) For all interests in trusts, net worth shall be determined as follows:

(A) An individual's net worth includes the net worth of any grantor trust of that individual.

(B) For purposes of determining whether an individual's net worth is in excess of one billion dollars ($1,000,000,000) or one billion one hundred million dollars ($1,100,000,000) under subdivision (a) of Section 50301, net worth shall include the value of property held by any trust, other than a grantor trust or tax-exempt trust, to which the individual transfers or has transferred property. To the extent consistent with the United States and California Constitutions, net worth shall for all purposes include the value of property held by any trust, other than a grantor trust or tax-exempt trust, to which the individual transfers property in 2026, and 75 percent of the value of that property transferred in 2025. If more than one individual has transferred property to any such trust, the contributing individual's net worth, for whatever purpose considered, shall be increased by a proportion of the value of the trust property, where that proportion is equal to the share of the value of all property transferred to the trust that was transferred by that individual.

(C) In the case of the beneficiary of a trust, whether or not the trust is resident in California, the beneficiary shall be deemed the owner of the trust's assets to the extent that the assets are distributable to the beneficiary, whether distributed or not. However, a trust beneficiary shall not be deemed the owner of any trust asset if the trust is an applicable trust.

(7) The following categories of assets shall be exempt from all taxation under this part and also from the reporting requirements of this section:

(A) Except as described in subparagraph (B), qualified pensions and individual retirement arrangements, including those described by Section 219(g)(5) of the Internal Revenue Code, or foreign pension arrangements similar in nature to those described in that section and exempted from United States taxation by a treaty obligation of the United States.

(B) Amounts held in Roth IRA or other Roth-type retirement arrangements or any substantially similar accounts, except to the extent that the aggregate value in all of those accounts in which the taxpayer holds a beneficial interest, either directly or indirectly, exceeds ten million dollars ($10,000,000) in present value.

(C) Nonqualified deferred compensation, other than a contingent profits interest, and any other promises of future payments specified by the board, except that any pension, deferred compensation amount, or other payment for goods or services, not described in subparagraphs (A) and (B), shall be treated as a taxable asset of the taxpayer if:

(i) Under the terms of a compensation arrangement, plan, contract, or other arrangement providing for payment, the taxpayer has a legally binding right as of the end of the tax year to that payment.

(ii) The compensation has not been actually or constructively received on or before the end of the year.

(iii) Pursuant to the compensation arrangement, the payment is payable to, or on behalf of, the taxpayer on or after the end of the year.

(D) Except assets exempted or excluded, a taxpayer must treat assets described in this paragraph as though they were held directly, and not in a tax-favored account.

(E) In the case of a defined benefit plan not otherwise exempt under this section, an amount equal to the present value of the taxpayer's accrued benefit on the last day of the tax year is treated as included by the taxpayer in the taxpayer's net worth.

(8) The board shall adopt regulations regarding the taxability of receivables and similar assets under this part. Subject to the requirements of this subdivision, the board may exempt certain receivables and similar assets from all taxation under this part and from the reporting requirements of this section. In adopting those regulations, the board shall consider whether a taxpayer is reasonably likely to receive payment from a particular type of receivable. All receivables shall be included in net worth under this part until the board has adopted regulations.

(9) For all other assets, including art and collectibles, financial instruments other than those that are publicly traded, intellectual property rights, debts and other liabilities owed to the taxpayer, other than those that are publicly traded, and vehicles and other personal property, the taxpayer may exclude up to five million dollars ($5,000,000) of total asset value of those combined assets, regardless of type, from net worth and from the reporting requirements of this section. With the exception of assets so excluded, a taxpayer must report the fair market value of those assets, and for each asset or group of substantially interchangeable assets, including derivative contracts relating to the same underlying security, worth in excess of one million dollars ($1,000,000), the taxpayer shall submit a certified appraisal.

(10) In no case shall the value of an asset be determined to be less than the amount for which that asset is insured. In the case of a business entity, in no case shall the value of that entity be less than the valuation reflected in any funding round or other sale of equity occurring within two years of the valuation date, unless the taxpayer can show by clear and convincing evidence that that valuation would significantly overstate the value of the entity.

(11) Net worth shall include the value of any property the individual transferred, other than property transferred to a trust described above, for less than fair market value after October 15, 2025, if that property either considered alone or together with other substantially interchangeable transferred items has a fair market value in excess of one million dollars ($1,000,000). An asset included in the net worth of the transferor as a result of this paragraph shall not be included in the net worth of the transferee.

(12) Any assets of a person who can be claimed as a dependent that are in excess of fifty thousand dollars ($50,000) in aggregate shall be deemed to be assets of the taxpayer who can claim them as a dependent.

Chapter 3. Optional Deferral Accounts for Qualifying Liquidity Constrained Taxpayers

50304. (a) The board shall develop an optional deferral account contract and related forms for an optional deferral account, also referred to herein as an "ODA," in order to create a binding contractual agreement between a taxpayer and the state. A qualifying taxpayer may opt to sign the contract to initiate an ODA under this part. To be a qualifying taxpayer, an individual must file a declaration that the amount of additional tax that would be owed as a result of this part, without the use of an ODA, would exceed the sum of the combined value of all of the taxpayers' assets which are subject to the valuation rules of paragraph (1) of subdivision (c) of Section 50303; that is, only individuals who would owe additional tax as a result of this part in excess of the combined total value of all of the individual's publicly traded assets shall be qualifying taxpayers. As part of this contract, the qualifying taxpayer opting to initiate an ODA shall agree to all of the following:

(1) File all annual informational returns and forms as described and specified in this section.

(2) Reconcile and pay all tax liabilities that may arise as a result of the ODA.

(3) Be subject to personal jurisdiction in this state for purposes of the collection of any tax imposed by this part and of satisfying any reporting requirements imposed by this part, together with any related interest or penalties imposed on the taxpayer by this state, with respect to the ODA.

(b) The contract shall be legally binding on the taxpayer, and also on the taxpayer's estate and assigns, until either the taxpayer or the taxpayer's estate or assigns reconciles and appropriately closes the ODA by fully liquidating the accumulated tax claims and then paying all tax due on the liquidated tax claims.

(c) A taxpayer may maintain only one ODA. A taxpayer may only attach assets or groups of assets to an ODA to the extent that the amount of additional tax that would be owed as a result of Section 50301, without the use of an ODA, would exceed the sum of the combined value of all of the taxpayers' assets subject to the valuation rules of paragraph (1) of subdivision (c) of Section 50303. In order to attach any assets or groups of assets to an ODA, a taxpayer shall report both of the following:

(1) The year in which the ODA was initiated.

(2) A list of all assets or groups of assets to which the ODA is to be attached for the current year.

(d) If a taxpayer has initiated an ODA, until that ODA has been reconciled and closed, the taxpayer shall annually report any material distribution transactions made with regard to the ODA, and shall complete and file any forms provided by the board for that purpose. The taxpayer shall continue to annually make those reports until the taxpayer has reconciled the ODA by fully liquidating the accumulated tax claims and then paying all tax owed on the liquidated tax claims. As a component of the legal contract signed by the taxpayer upon initiating an ODA, those reporting requirements shall continue even if and after the taxpayer is no longer a resident of California, within the meaning of Sections 17014 and 17015.5, and shall then be enforced as a legally binding contract with the state. Failure to make annual reports and file any required forms shall be treated as a breach of contract and shall also be subject to the same penalties as a failure to file income tax forms for California residents who are required to file income tax forms. Upon the death of any taxpayer who has initiated an ODA that has not been fully reconciled and closed, that taxpayer's estate and assigns shall be required to reconcile the ODA to fully liquidate the accumulated tax claims and to then pay all tax owed on those liquidated tax claims, treating these claims as an unpaid tax liability of the taxpayer owed to the state.

(e) The taxpayer's accumulated unliquidated tax withholding percentage shall be equal to 5 percent.

(f) The following withdrawals and transactions shall be deemed to be material distribution transactions that the taxpayer must report annually:

(1) A withdrawal of money, property, or other value from any assets to which the ODA is attached.

(2) A transaction with the taxpayer, or a related person to the taxpayer, that has the effect of transferring any assets or value of assets to which an ODA is attached without also transferring the ODA obligations.

(g) Notwithstanding subdivision (f), a material distribution transaction shall not include ordinary and necessary transactions for maintaining or increasing the value of assets to which an ODA is attached and that would not have the effect of distributing any profits, dividends, or other payments to owners for the use of capital, or similar transfers.

(h) The board shall provide guidance for specifying what sorts of transactions are to be treated as material distribution transactions and for specifying that transfers made in the ordinary course of a trade or business and exchanges of non-readily tradable assets shall not be treated as material distribution transactions. For any material distribution transactions, the taxpayer shall report the fair market value withdrawn from the assets to which the ODA is attached

or otherwise transferred or used for the benefit of the taxpayer or of a related person.

(i) The taxpayer shall multiply the taxpayer's accumulated unliquidated tax withholding percentage by the fair market value, as determined under Section 50303, of all material distribution transactions for the tax year. There shall be a tax imposed on the taxpayer in the amount of the resulting product. Any additional tax payable as a result of this section for any tax year shall be payable along with any income tax owed for that tax year.

(j) Any taxpayer maintaining an ODA who has had any material distribution transactions either in the current year or in any prior year shall annually report all of the following:

(1) The year in which the ODA was initiated.

(2) A list of all assets or groups of assets to which the ODA is currently attached or to which the ODA has ever been attached.

(3) The taxpayer's running total of the aggregate fair market value of all material distribution transactions made with respect to the ODA.

(k) If, in any year, a taxpayer who has previously initiated an ODA sells, disposes of, or otherwise terminates all of the taxpayer's interests in the ODA and in all assets to which the ODA is attached, then after paying any tax owed as a result of those transactions that are material distribution transactions, as specified in subdivision (f), the ODA is fully liquidated. At the end of any tax year, a taxpayer who has previously initiated an ODA may elect to close that ODA by filing a form provided by the board. The taxpayer shall then reconcile the ODA pursuant to subdivision (l).

(l) Prior to closing an ODA, a taxpayer shall withdraw any assets to which the ODA is attached and treat those withdrawals as material distribution transactions pursuant to this section. Section 50303 shall govern the determination of the fair market value of any assets withdrawn from an ODA. As used in this section, the term "taxpayer" shall also include any estate or assigns of a taxpayer made liable under this provision for satisfaction of the taxpayer's ODA.

Chapter 4. Certified Appraisals

50305. (a) Any appraiser making a certified appraisal for the purposes of this part shall send a copy of that certified appraisal to the board, along with information sufficient for identifying the taxpayer for whom the certified appraisal was prepared, and shall follow any applicable rules or other relevant instructions adopted by the board.

(b) The board shall adopt regulations, or publish guidance, further detailing the requirements for certified appraisals and for appraisers qualified to make certified appraisals for purposes of this chapter. Rules and guidance shall be based on the qualified appraisal and qualified appraiser rules of Section 1.170A-17 of Title 26 of the Code of Federal Regulations.

(c) In the case of any underpayment of tax attributable to a substantial or gross overstatement or understatement of valuation in a certified appraisal, the board may at its discretion impose a penalty on the appraiser, as if that appraiser were "the taxpayer" for purposes of Section 50312, but no such penalty shall exceed 2 percent of the understatement of tax, in the case of substantial overstatement or understatement of valuation, or 4 percent of the understatement of tax, in the case of gross overstatement or understatement of valuation.

Chapter 5. Apportionment and Credits

50306. (a) Standard apportionment. As for apportionment of the tax imposed by this part between multiple jurisdictions, the rules of this section shall apply. The rules in this chapter supersede other rules, including the rules concerning the division of income for purposes of part-year residence. One hundred percent of any tax imposed under Sections 50301 and 50304 is apportioned to California for all applicable individuals and applicable trusts, without reduction or multiplier based on residency history, including whether an individual was a California resident before the tax obligation date described in subdivision (n) of Section 50308. For purposes of this section, residency is determined under Sections 17014 and 17015.5 as of the tax obligation date.

(b) Alternative apportionment.

(1) Standard method. The standard apportionment method under this section is the method specified in subdivision (a).

(2) When alternative apportionment may be used. If the standard apportionment method does not fairly represent the extent to which the taxpayer's excessive wealth was accumulated in, or substantially sustained by, California, the taxpayer may petition for or the board may require in a notice of proposed assessment, use of an alternative apportionment method for all or any part of the taxpayer's wealth. Any alternative method adopted under this subdivision shall be applied before the calculation of any credit under Section 50307.

(3) Petitions, showing required. A petition shall be granted only if the petitioning party proves by clear and convincing evidence that both of the following are true:

(A) The excessive wealth did not substantially accumulate in California.

(B) The excessive wealth was not substantially sustained in California for at least 365 days in the aggregate during the 48 month period ending on the valuation date, as defined in subdivision (o) of Section 50308.

(4) Constitutional alternative. Alternatively, a petitioning party may prevail by establishing that the United States Constitution, the California Constitution, or federal law prohibits application of the standard method to all or a portion of the taxpayer's wealth.

(5) Burden and proposed method. The petitioning party bears the burden to show the standard method is unfair or invalid and to propose a more fair and reasonable

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method that is practicable to administer. When the board requires an alternative method in a notice of proposed assessment, the board is the moving party before the Office of Tax Appeals and bears this burden with respect to the alternative method, and the notice shall state with specificity the reasons the standard method is unfair and describe the proposed alternative method.

(6) Minimum percentage; constitutional safety valve. Relief under this subdivision shall not reduce the apportionment percentage below 25 percent, unless the Office of Tax Appeals, or a court on review, finds on the record that a lower percentage is required to avoid grossly disproportionate taxation in violation of the United States or California Constitutions or governing federal law. In determining whether a tax is grossly disproportionate, the Office of Tax Appeals and the courts shall consider whether the taxpayer's net worth has a meaningful connection to California, and shall reduce the apportionment percentage, including below 25 percent and, where appropriate, to zero, to the extent necessary to avoid taxation that is arbitrary or out of all appropriate proportion to the taxpayer's contacts with this state.

(7) Regulations. The board may adopt regulations providing nonexclusive examples of acceptable alternative methods and evidentiary showings, consistent with paragraph (2).

(8) To the extent that any provision or application of this section that determines apportionment by reference to residency is held invalid, unconstitutional, or otherwise unenforceable, residency shall then be determined with respect to such provision or application pursuant to the rules governing the personal income tax in Part 10 (commencing with Section 17001), including Sections 17014 and 17015.5.

50307. (a) There shall be allowed as a credit against the tax imposed by this part an amount equal to the taxpayer's pro rata share of any taxes paid on a tax on net wealth that is also taxed under this part, where the pro rata share shall be the ratio in which the numerator shall be the total number of days the taxpayer resided within the other taxing state or jurisdiction during the 2026 tax year and the denominator shall be 365. For removal of doubt, because directly-held real property is not taxed under this part, no credits are allowed under this subdivision for taxes on directly held real property.

(b) A credit shall additionally be allowed against taxes paid in other jurisdictions to the extent required by the United States Constitution.

Chapter 6. General Provisions and Definitions

50308. For purposes of this part, the following definitions shall apply:

(a) "Applicable individual" means, for the 2026 tax year, any individual who is a resident of this state, within the meaning of Sections 17014 and 17015.5, as of the tax obligation date specified in subdivision (n).

(b) "Applicable trust" means any trust, other than a grantor trust or tax-exempt trust, whether or not that trust is a California resident, if an applicable individual still living with net worth of one billion dollars ($1,000,000,000) or more, or any entity that would constitute a related person with respect to that individual, has transferred property to the trust. If more than one individual has transferred property to the trust, a portion of the trust shall be treated as an applicable trust, where the portion so treated shall be the same as the proportion of the value of assets transferred to the trust by the applicable individual, or any entity that would constitute a related person with respect to that individual, holds to the total value of assets transferred to the trust. In addition, any trust may elect to be an applicable trust by notifying the board of that election by any method the board may designate. An individual with net worth of one billion dollars ($1,000,000,000) or more who has transferred property to an applicable trust may elect to treat the trust as part of the net worth of that individual by notifying the board of the election by any method the board may designate. In the case of that election, the trust shall not be separately subject to tax under Section 50301.

(c) "Board" means the Franchise Tax Board.

(d) "Dependent" shall have the same meaning as that term is defined in Section 152 of the Internal Revenue Code.

(e) "Grantor trust" means any trust that would be a grantor trust for purposes of the income tax, and also any trust the assets of which would be included in the estate of the grantor for purposes of federal transfer tax.

(f) "Net worth" means the total value of all assets and property interests taken into account for the taxpayer and their spouse worldwide under Section 50303 and other applicable provisions of this part as of the valuation date specified in subdivision (o), wherever that spouse is resident, reduced by the total value of all debts and other liabilities, to the extent the reductions are permitted under Section 50302. For the avoidance of doubt, assets taken into account under Section 50303 as of the valuation date are included in net worth even if acquired after the tax obligation date, and interests disposed of before the valuation date are excluded from net worth, except to the extent this part, including, but not limited to, Sections 50303 and 50312, requires transferred, recharacterized, or trust-held assets or other property interests to be included in the taxpayer's net worth.

(g) "Optional deferral account" or "ODA" means an unliquidated tax reserve account governed by Section 50304.

(h) "Person" shall have the same meaning as that term is defined in Section 17007.

(i) "Private equity entity" means a business entity, other than a publicly traded entity, mutual fund, or exchange-traded fund, that engages primarily in the business of investing in other businesses.

(j) "Publicly traded asset" means an asset that is traded on an exchange; traded on a secondary market in which sales prices for that asset are frequently updated; available on an online or electronic platform that regularly matches buyers and sellers; or any other asset that the board determines has a value that is readily ascertainable through similar means.

(k) "Related person" means any person that is related to the taxpayer under Section 267 or 318 of the Internal Revenue Code as of January 1, 2026, as well as any other person so specified by regulations adopted by the board.

(l) "Substantial benefit" has the meaning given to that term by the United States Supreme Court in the case of United States v. American Bar Endowment (1986) 477 U.S. 105.

(m) "Tax-exempt trust" means a trust that is exempt from federal income tax under Section 501 of the Internal Revenue Code.

(n) "Tax obligation date" means January 1, 2026.

(o) "Valuation date" means December 31, 2026.

50309. (a) The collection and administration of the tax described in this part shall be governed by Part 10.2 (commencing with Section 18401) unless expressly superseded by this part.

(b) The board may adopt regulations to implement, interpret, make specific, or otherwise carry out any provision of this part.

(1) The regulations may include, but are not limited to:

(A) Identifying abusive transactions whose aim is to change the nature of an asset from public to nonpublic or vice versa.

(B) Identifying abusive transactions whose aim is to artificially reduce the assessed value of a taxpayer's assets.

(2) Until January 1, 2028, the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) shall not apply to any regulation, standard, criterion, procedure, determination, rule, notice, guideline, or any other guidance established or issued by the board pursuant to this part.

(3) Notwithstanding Section 19057 or any other law, every notice of a proposed deficiency assessment under this part in regards to taxable years beginning on or after January 1, 2026, and before January 1, 2027, shall be mailed to the taxpayer within 10 years after the return was filed.

(c) Within six months after passage, the board shall promulgate the forms required for taxpayers to pay the tax imposed by this part. Those forms may provide for taxpayer attachments demonstrating compliance. The board shall amend the Personal Income Tax Forms, and amend or create other forms as necessary, for the reporting of assets or other information useful for the implementation of this part.

(d) To the extent not inconsistent with this chapter, the provisions for the administration, assessment, collection, enforcement, and appeals of the income tax shall apply to the taxation of net worth imposed by this part.

50310. Legislative Authority

The Legislature may amend the 2026 Billionaire Tax Act, by statute passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, if the statute is consistent with and furthers the purposes of the 2026 Billionaire Tax Act.

50311. Severability

(a) The provisions of the 2026 Billionaire Tax Act, also referred to as "the act," are severable. While the act has been carefully designed to comply with existing law, if any provision of the act or its application is held invalid, unconstitutional, or otherwise unenforceable, that finding shall not affect the enforceability of other provisions or applications.

(b) In applying the act, a court shall, to the maximum extent consistent with the United States and California Constitutions, preserve the imposition of the tax authorized, including by reforming dates or periods specified, using the most limited adjustment possible to cure any constitutional or other legal defect, while allowing the remaining provisions to operate. If a court determines that imposing liability under this act by reference to the tax obligation date specified in subdivision (n) of Section 50308 or the valuation date specified in subdivision (o) of Section 50308, in whole or in part, is contrary to the United States Constitution, the California Constitution, or other governing federal law, then, to the extent of that determination, all references in the act and in Section 37 of Article XIII of the California Constitution to the "tax obligation date" and "valuation date" shall instead be construed to refer to the earliest date or dates subsequent to the tax obligation date or valuation date, as applicable, on which liability may be imposed consistently with that law. In reforming any dates or periods specified in the act, a court shall, to the maximum extent permitted by law, preserve the imposition of the tax for the 2026 tax year, or if that is not permissible then for 2027 or the earliest permissible subsequent year, while otherwise preserving the overall structure and purposes of this act.

50312. Enforcement and Penalties

(a) A taxpayer subject to the tax imposed under this part with a substantial or gross understatement of tax for any taxable year shall be subject to the penalty imposed under this section. An understatement is substantial if that understatement exceeds the greater of the following:

(1) One million dollars ($1,000,000).

(2) Twenty percent of the tax shown on an original return or shown on an amended return filed on or before the original or extended due date of the return for the taxable year.

(b) An understatement is a gross understatement if that understatement exceeds the greater of the following:

(1) Ten million dollars ($10,000,000).

(2) Forty percent of the tax shown on an original return or shown on an amended return filed on or before the original or extended due date of the return for the taxable year.

(c) The penalties are as follows:

(1) The penalty for a substantial understatement under this section shall be an amount equal to 20 percent of any understatement of tax. For purposes of this section, "understatement of tax" means the amount by which the tax imposed by this part exceeds the amount of tax shown on an original return or shown on an amended return filed on or before the original or extended due date of the return for the taxable year.

(2) The penalty under this section for a gross understatement of tax shall be an amount equal to 40 percent of any understatement of tax.

(d) The penalty imposed by this section shall be in addition to any other penalty imposed under Part 10.2 (commencing with Section 18401), or any other law.

(e) A refund or credit for any amounts paid to satisfy a penalty imposed under this section may be allowed only on the grounds that the amount of the penalty is not properly computed by the board.

(f) No penalty shall be imposed under this section on any understatement to the extent that the understatement is attributable to any of the following:

(1) A change in law that is enacted, adopted, issued, or becomes final after the earlier of either of the following dates:

(A) The date the taxpayer files the return for the taxable year for which the change is operative.

(B) The extended due date for the return of the taxpayer for the taxable year for which the change is operative.

(2) For purposes of this subdivision, a "change of law" means a statutory change or an interpretation of law or rule of law by regulation or legal ruling of counsel, within the meaning of subdivision (b) of Section 11340.9 of the Government Code, or a published federal or California court decision.

(3) The board shall implement this subdivision in a reasonable manner.

(g) No penalty shall be imposed under this section to the extent that a taxpayer's understatement is attributable to the taxpayer's reasonable reliance on written advice of the board, but only if the written advice was a legal ruling by the chief counsel, within the meaning of paragraph (1) of subdivision (a) of Section 21012.

(h) The amount of the understatement under subdivision (a) shall be reduced by that portion of the understatement that is attributable to either of the following:

(1) The tax treatment of any item by the taxpayer if there is or was substantial authority for that treatment.

(2) Any item if the following apply:

(A) The relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return.

(B) There is a reasonable basis for the tax treatment of that item by the taxpayer.

(i) Notwithstanding subdivision (a) of Section 18567, the board shall grant extensions to file tax for six months for tax year 2026 only. Notwithstanding subdivision (b) of Section 18567, the penalties imposed by this section shall not apply to estimated payments required to be made by April 2027. The penalties imposed under this section do apply to final payments for the 2026 tax year made in October 2027. Section 18567 applies to the tax imposed by this act for all years subsequent to 2027.

(j) Notwithstanding any other provisions of law, the board may hire and pay reasonable fees to any outside experts or outside counsel as appropriate to help fully administer and collect the tax authorized by this part. While those fees may be covered by the amount provided for in subdivision (e) of Section 16355 of the Government Code, the board may seek additional funding for reimbursement if necessary.

(k) General anti-avoidance rule.

(1) If the board determines that a transaction or series of transactions lack economic substance, or that a substantial purpose for any transaction or series of transactions was to obtain a tax benefit with respect to this part that is not intended by the voters or the Legislature, the board may determine the tax consequences to any person in a manner that is reasonable in light of all the facts and circumstances in order to deny that benefit.

(2) For purposes of this subdivision, a transaction or series of transactions shall be treated as lacking economic substance if the person does not have a valid and substantial nontax business purpose for entering into the transaction or series of transactions, taking into account the overall economic effect of the transaction or series of transactions apart from state and federal tax effects.

(l) Controlled group allocations; substance over form.

(1) In any case of two or more organizations, trades, businesses, entities, or arrangements owned or controlled, directly or indirectly, by the same interests, the board may distribute, apportion, or allocate assets, liabilities, or any other items relevant to the determination of net worth under this part between or among those persons if the board determines that such distribution, apportionment, or allocation is necessary in order to prevent avoidance of the tax imposed by this part or clearly to reflect the economic ownership and enjoyment of those tax items.

(2) In exercising its authority under paragraph (1), the board may disregard any entity, arrangement, or

transaction that lacks economic substance, treat related transactions as a single transaction under the step transaction doctrine, or otherwise give effect to the substance rather than the form of the transaction.

(m) Use of income tax doctrines; no implied exemptions.

(1) In applying this part, the board may rely on, and courts may draw upon, legal principles developed with respect to interpretation and application of state and federal income taxes, including, without limitation, doctrines relating to economic substance, business purpose, sham transactions, step transactions, and substance over form.

(2) There shall be no exemptions, exclusions, or deductions from the tax imposed by this part except those expressly authorized in this part or in Section 37 of Article XIII of the California Constitution.

(n) Power of the board. Without implication as to the powers of the board in relation to any other tax, if the board disagrees with a decision of the Office of Tax Appeals, the board may bring an action in superior court for a trial de novo.

50313. Construction

The provisions of this part shall be liberally construed to effectuate its purposes.

50314. Expedited Review

(a) The intention of this section is to provide for expedited, conclusive resolution of the facial validity of this act through a validation action.

(b) An action or proceeding to determine whether the tax imposed by this act, or all proceedings in relation thereto, are constitutional or otherwise facially invalid, and filed solely to determine the validity of this act or any portion of it, shall be commenced pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

(c) A validation action shall not be filed more than 60 days after the approval of the act by the voters. If no action is filed within that period, the tax and all proceedings in relation thereto, including the adoption and approval of the act, shall be held to be facially valid and in every respect legal and incontestable.

(d) Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure shall govern all validation actions under this section, provided, however, that, notwithstanding any other law:

(1) The sole venue for any validation action shall be the Sacramento County Superior Court, where all actions shall be consolidated at least for trial, or to the extent determined by the court.

(2) Any appeal from an adverse determination in the Sacramento County Superior Court shall be made directly to the California Supreme Court, without intermediate appellate review.

(3) If the Supreme Court grants a petition for review, it shall hear any appeal or writ involving the validity of this act on an expedited basis.

(4) Subject to adjustment as necessary by the applicable court to accommodate expedited, sound judicial decisionmaking, the Sacramento Superior Court shall make every effort to resolve any validation action by April 1, 2027, and the California Supreme Court shall make every effort to resolve any review proceeding by November 1, 2027, or as soon as possible thereafter. Briefing and hearing schedules shall be scheduled as necessary to meet these dates.

(5) Section 868 of the Code of Civil Procedure shall not apply to actions brought under this section.

(e) The state, government agency, any of its officials, any other government employer, the proponent, or in the absence of a proponent, any citizen of this state is an "interested person" under Section 863 of the Code of Civil Procedure.

SEC. 8. Conflicts.

This act provides for a tax on net worth, not income, of billionaires. In the event that this measure and another measure that levies a tax or affects the tax rates on net worth, not income, of billionaires, or that provides for use of funds from a tax on billionaire net worth, shall appear on the same statewide ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure receives a greater number of affirmative votes than a measure deemed to be in conflict with it, the provisions of this measure shall prevail in their entirety, and any conflicting provisions of the other measure or measures shall be null and void.

SEC. 9. Proponent Standing.

The purpose of this section is to ensure the full and complete defense of this act, to protect the people's right of initiative and the people's right to choose who will defend this act in court. Notwithstanding any other provision of law, the state, government agency, any of its officials, any other government employer, the proponent, or in the absence of a proponent, any citizen of this state may defend the legality of this act, as provided therein through a validation action or as may otherwise be available, and is authorized to sue directly or intervene for the purpose of defending this act, in trial court, on appeal, on review by the Supreme Court of California or in its exercise of original jurisdiction, or before the Supreme Court of the United States. The reasonable fees and costs of defending the act and advocating for its validity, if the Attorney General does not defend the act, shall be a charge on funds appropriated to the Attorney General, which shall be satisfied promptly.

PROPOSITION 41

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the California Constitution; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

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PROPOSED LAW

SECTION 1. Title.

This act shall be known and may be cited as the Improving Transparency, Effectiveness, and Efficiency in California Government Act of 2026.

SEC. 2. Findings and Declarations.

The people of the State of California hereby find and declare the following:

(a) Every day, Californians are facing an affordability crisis. Costs for housing, food, electricity, health care, home and auto insurance, and many other life necessities continue to escalate.

(b) Californians are already among the highest-taxed people in the United States. A recent analysis by a nonpartisan research institute concluded that California ranks 48th in the nation in subjecting its population to taxes, when considering individual income taxes, sales taxes, property taxes, and other forms of taxation. California has the highest state sales tax in the nation, the highest top income tax rate, and the highest tax on gasoline, among other indicators.

(c) Public programs provide much-needed services, including to children, families, and the most vulnerable in our state. But billions of our tax dollars have flowed into programs like homelessness efforts, with far too little to show for it.

(d) Before asking taxpayers to pay even more of their hard-earned money to support programs that are ineffective, we must institute greater transparency and trackable progress of program improvements to ensure we stop funding failure and start funding successful outcomes. Government must use our tax dollars more wisely.

(e) Some of these efforts are already underway. For example, the Newsom Administration has sought to increase efficiency in government through greater utilization of technology and automation, creation of an Office of Data Innovation, and modernizing the Department of Motor Vehicles. This is consistent with earlier efforts President Obama undertook at the federal level aimed at reducing waste in government and cutting underperforming programs.

(f) However, while these existing efforts are a good start, more should be done to reduce inefficiency and cut government waste. For example, recent studies have found that as much as 25 cents of every dollar in some programs are lost to inefficiency or waste.

(g) Nonetheless, the Legislature and special interest groups continue to propose new and higher taxes for pet projects without doing the hard work of ensuring that government programs are already using their existing revenues as effectively and efficiently as possible. Californians have a right to require that state government improve the effectiveness and efficiency of programs and cut waste before asking us to pay even higher taxes—which just make our cost-of-living crisis even worse.

(h) In 1979, California's voters approved a state spending cap to help check wasteful spending and encourage more effective government—and to return any excess revenues above the limit to taxpayers. However, in the years since, special interests have repeatedly passed new taxes that exempted themselves from the state spending limit. This pushes taxes even higher and makes it less likely that excessive state revenues will be refunded to taxpayers.

(i) In order to ensure that state spending does not spiral further out of control before the new efficiency and transparency requirements of this act can have their intended effect, we must prevent any new taxes from being exempt from the state spending limit. Protecting this voter-approved state spending limit is critical for getting state government to be better stewards of Californians' tax dollars as intended by this act. Government is more likely to spend taxpayer dollars effectively and efficiently when government has to live within its means under the state spending limit.

SEC. 3. Statement of Purpose.

In enacting this act, the purpose and intent of the people of the State of California is to require the California State Auditor to conduct upfront and ongoing audits of all state programs that are targeted to receive revenue from new or higher special taxes. The audits must identify areas of potential savings and improvements and the results must be shared with the public in order to ensure that extra funding is actually needed, that public programs are delivering results, and that taxpayer dollars are not being lost to inefficiency, waste, or abuse—while also prohibiting exemptions from the state spending limit that forces efficiency and discipline upon state government.

SEC. 4. Article XXIV is added to the California Constitution, to read:

ARTICLE XXIV

PROTECTING TAXPAYER DOLLARS

Section 1. Preelection Audits for Special Tax Initiatives

(a) When a certification for a proposed special tax initiative is submitted to the Secretary of State pursuant to subdivision (a) of Section 9034 of the Elections Code, the California State Auditor shall commence with the preparation of a preelection financial and performance audit of each program that would receive moneys from the special tax.

(b) A preelection financial and performance audit shall, at a minimum, address all of the following matters:

(1) Whether the program is currently acquiring resources, including staff, equipment, technology and computer software, and facilities, at the lowest cost for the required quality.

(2) Whether the program is maximizing its output for every dollar spent.

(3) The extent to which the program is actually achieving its intended goals and outcomes.

(4) The amount of actual and potential fraud, waste, and abuse in the program, and the adequacy of existing systems intended to prevent fraud, waste, and abuse.

(5) An assessment whether the program is following relevant laws, regulations, and internal policies.

(6) An assessment whether the program has identified its biggest threats and has a plan to mitigate them.

(7) The extent to which data used, or relied upon, by the program to make decisions is accurate and reliable.

(8) Whether the program possesses adequate lines of accountability and oversight.

(9) How the program's costs compare to any analogous programs in the nongovernment sector.

(10) Recommendations on how the program could achieve a budgetary savings of at least 10 percent annually.

(c) In preparing a preelection financial and performance audit required by this section, the California State Auditor shall invite input from the Legislative Analyst's Office (LAO), and may rely on information contained in the office's reports, analyses, and recommendations.

(d) The California State Auditor shall include an executive summary in the preelection financial and performance audit that summarizes all of the findings and recommendations on the matters described in subdivision (b).

(e) (1) Copies of the preelection financial and performance audit shall be delivered to the Governor, the Legislature, and the Secretary of State, and shall be posted on the California State Auditor's website and made available to the public.

(2) If the special tax initiative qualifies for the ballot as provided in Article II, the executive summary from the preelection financial and performance audit shall be printed in the state voter information guide immediately following the impartial analysis prepared by the Legislative Analyst. The California State Auditor shall complete the preelection financial and performance audit, including the executive summary, by a date sufficient to meet the state voter information guide public display deadlines.

(f) If the special tax initiative is approved by voters, the California State Auditor shall be reimbursed from the revenue generated by the special tax initiative for reasonable costs incurred in preparing the preelection financial and performance audit, as determined by the Controller.

Sec. 2. Ongoing Audits for All New or Higher Special Taxes

(a) (1) For all special taxes enacted by the Legislature or by a statewide initiative measure on or after January 1, 2026, the California State Auditor shall conduct ongoing financial and performance audits of each program that receives moneys from the special tax.

(2) Starting from the effective date of the special tax, an ongoing financial and performance audit shall be completed every four years.

(b) An ongoing financial and performance audit required by this section shall address the following:

(1) All of the matters described in subdivision (b) of Section 1 of this article.

(2) Recommendations on how the program could improve effectiveness and cut costs or otherwise reduce the burden imposed by the program on taxpayers and state revenues.

(c) (1) In preparing the ongoing financial and performance audits required by this section, the California State Auditor shall invite input from the Legislative Analyst's Office (LAO), and may rely on information contained in the office's reports, analyses, and recommendations.

(2) The California State Auditor shall also invite input from the public to inform the standards it uses in measuring the effectiveness of programs and its determinations of how tax dollars can be spent more effectively.

(d) The California State Auditor shall be reimbursed from the revenue generated by the special tax for reasonable costs incurred in preparing the ongoing financial and performance audits, as determined by the Controller.

Sec. 3. Prohibition on Exemptions from the State Spending Limit

(a) No state tax that is enacted or takes effect on or after January 1, 2026, shall be exempted or excluded from the Government Spending Limitation.

(b) The State of California shall not impose, collect, or enforce any state tax that is enacted or takes effect on or after January 1, 2026, if the state tax is exempted or excluded from the Government Spending Limitation.

Sec. 4. For purposes of this article:

(a) "California State Auditor" means the California State Auditor as described in Chapter 6.5 (commencing with Section 8543) of Division 1 of Title 2 of the Government Code.

(b) "Exempted or excluded from the Government Spending Limitation" means either of the following:

(1) The revenues from the state tax are deposited, in whole or in part, into a particular fund or account outside of the General Fund, and appropriations from that particular fund or account are not included in the appropriations subject to limitation of each entity of government and the State of California under Article XIII B.

(2) The appropriations limit for the State of California is increased by statute pursuant to Section 4 of Article XIII B.

(c) "Government Spending Limitation" means Article XIII B.

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(d) "Special tax" means a tax that can only be used to fund specific, as opposed to unlimited, purposes.

(e) "Special tax initiative" means an initiative measure proposed pursuant to Section 8 of Article II, or Section 3 of Article XVIII, that contains a special tax.

Sec. 5. This article applies to all statewide initiative measures submitted to the electors on or after January 1, 2026, including measures that appear on the ballot at the same election at which the measure adding this article is approved by the electors.

SEC. 5. Conflicting Measures.

(a) (1) In the event that this initiative measure appears on the same statewide election ballot as another initiative measure that (A) imposes different audit rules on special taxes; or (B) contains a state tax that is exempted or excluded from the Government Spending Limitation, then that other initiative measure shall be deemed to be in conflict with this measure. In the event that this initiative measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and all the provisions of the other measure shall be null and void.

(2) For purposes of this section, "special tax" shall have the same meaning as set forth in Section 4 of this act.

(b) If this initiative measure is approved by the voters but superseded in whole or in part by any other conflicting initiative measure approved by the voters at the same election, and such conflicting measure is later held invalid, this measure shall be self-executing and given full force and effect.

SEC. 6. Severability.

The provisions of this act are severable. If any portion, section, subdivision, paragraph, clause, subclause, sentence, phrase, word, or application of this act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this act. The people of the State of California hereby declare that they would have adopted this act and each and every portion, section, subdivision, paragraph, clause, subclause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any part of this act or application thereof would be subsequently declared invalid.

SEC. 7. Effective Date.

This act shall take effect at the earliest possible date in accordance with Section 10 of Article II of the California Constitution. This act shall become operative on the same day it takes effect.

SEC. 8. Liberal Construction.

This act shall be liberally construed to give effect to its intent and purposes.

SEC. 9. Legal Defense.

The purpose of this section is to ensure that the people's precious right of initiative cannot be improperly annulled by state politicians who refuse to defend the will of the voters. Therefore, if this act is approved by the voters of the State of California and thereafter subjected to a legal challenge that attempts to limit the scope or application of this act in any way, or alleges this act violates any state or federal law in whole or in part, and both the Governor and Attorney General refuse to defend this act to the fullest extent possible on behalf of the State of California, then the following actions shall be taken:

(a) Notwithstanding anything to the contrary contained in Chapter 6 (commencing with Section 12500) of Part 2 of Division 3 of Title 2 of the Government Code or any other law, the Attorney General shall appoint independent counsel to faithfully and vigorously defend this act to the fullest extent possible on behalf of the State of California.

(b) Before appointing or thereafter substituting independent counsel, the Attorney General shall exercise due diligence in determining the qualifications of independent counsel and shall obtain written affirmation from independent counsel that independent counsel will faithfully and vigorously defend this act to the fullest extent possible. The written affirmation shall be made publicly available immediately upon request.

(c) In order to support the defense of this act in instances where the Governor and Attorney General fail to do so despite the will of the voters, a continuous appropriation is hereby made from the General Fund to the Controller, without regard to fiscal years, in an amount necessary to cover the costs of retaining independent counsel to faithfully and vigorously defend this act on behalf of the State of California to the fullest extent possible.

PROPOSITION 42

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the California Constitution; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title.

This act shall be known, and may be cited, as the Retirement and Personal Savings Protection Act of 2026.

SEC. 2. Findings and Declarations.

(a) California families are paying more for everything and we already pay some of the highest taxes in the country. A recent analysis by a nonpartisan research institute concluded that California ranks 3rd worst in the nation in subjecting its population to taxes when considering individual income taxes, sales taxes, property taxes, and other forms of taxation. California is behind only New Jersey and the District of Columbia in this regard. California also has the highest state sales

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tax in the nation, the highest top income tax rate, and the highest tax on gasoline, among other indicators.

(b) Every day, Californians are also facing an affordability crisis. Costs for housing, food, electricity, health care, home and auto insurance, and many other life necessities continue to escalate. Californians are struggling economically just to make ends meet on a daily basis. Saving for retirement or a rainy day is even harder. Given the state's extraordinarily high cost of living, a recent analysis suggests that Californians would need $2.3 million saved up if they want to retire comfortably for 20 years. This is an impossible sum for many Californians.

(c) To make matters worse, politicians and special interest groups want to start taxing retirement holdings, individually owned assets, and other forms of personal savings—even though the "California Dream" is getting further out of reach for many of us and many Californians struggle to save enough money to retire. Here is just some of what could be at risk:

(1) Teachers, police officers, firefighters, and other dedicated workers earn defined-benefit pension benefits. They could be taxed on the *future* value of their pension benefits and forced to pay the government before they ever collect a dime in pension pay.

(2) Californians who contribute to 401(k) retirement plans and individual retirement accounts (IRAs), and invest in stocks, bonds, mutual funds, and other investments could be taxed on the value of their retirement nest eggs. This could cost workers some of their hard-earned savings, causing them to put off retirement and leaving them more economically vulnerable later in life.

(d) California already imposes income taxes, capital gains taxes, real property taxes, personal property taxes, corporation taxes, sales and use taxes, real property transaction taxes and many other taxes on its residents. In addition, once Californians begin to access their retirement holdings, sell their individually owned assets, or realize the growth in other personal savings, they are already subject to the state's income, capital gains, and property taxes. But politicians and special interests should be prohibited from taxing the mere ownership or control of personal property such as retirement holdings, individually owned assets, and other forms of personal savings that Californians work hard to save.

(e) Retroactive taxes can have the same devastating effects on Californians' retirement planning and personal savings. Fundamental principles of fairness in a democratic society require that individuals, families, and businesses be able to understand and rely upon the tax laws that govern their financial planning so they can make decisions with advance notice of what the rules are.

(f) The ability of Californians to organize and achieve their financial and retirement goals depends on having advance notice of the tax obligations that apply to them. Retroactive changes to tax laws are fundamentally unfair and undermine confidence in government, disrupt retirement and financial planning, and prevent residents and businesses from preparing for the future.

(g) Sacramento politicians and special interests have wasted billions of our tax dollars on inefficient and ineffective programs. But they keep coming back for more of our money with more tax proposals. They don't need to tax our retirement holdings or tax us retroactively based on past conduct, activities, or status—they need to deliver better results with what taxpayers have already given them to spend.

SEC. 3. Statement of Purpose.

In enacting this act, the purpose and intent of the people of the State of California is to protect Californians' ability to save for their futures by prohibiting the imposition of new taxes on our personal property, including the ownership or control of retirement holdings, individually owned assets, and other forms of personal savings as well as requiring all new taxes to only apply prospectively.

SEC. 4. Article VIII is added to the California Constitution, to read:

ARTICLE VIII

Section 1. Prohibition on Taxing Retirement Holdings, Individually Owned Assets, and Other Forms of Personal Savings

(a) No state law and no provision of this Constitution enacted on or after January 1, 2026, may enact, create, impose, or authorize collection of a tax on the ownership or control of retirement holdings, individually owned assets, and other forms of personal savings, whether held directly or indirectly.

(b) Nothing in this section shall alter or limit the imposition or collection of any tax that was in effect, imposed, and first collected on or before December 31, 2025.

(c) Nothing in this section shall alter or affect the taxation of real property as provided in other provisions of this Constitution.

Sec. 2. Prohibition on Retroactive Taxes

(a) (1) No state law and no provision of this Constitution enacted on or after January 1, 2026, may enact, create, impose, or authorize collection of a tax that operates retroactively to result in tax liability based on conduct, activities, or a status that occurred or was present prior to the effective date of the state law or constitutional provision.

(2) This subdivision also applies to a tax that is imposed on a taxpayer based upon their residency status on a date prior to the effective date of the tax.

(b) Nothing in subdivision (a) shall alter or limit the imposition or collection of any tax that was in effect, imposed, and first collected on or before December 31, 2025.

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(c) Subdivision (a) shall not apply to a tax imposed by a statute passed by the Legislature on or after January 1, 2026, where both of the following apply:

(1) The tax does not apply retroactively for more than 365 days prior to the date the statute takes effect.

(2) At least one of the following conditions exists:

(A) The Governor declares an emergency as a result of a fire, flood, storm, civil disorder, earthquake, volcanic eruption, or actual or imminent attack by a foreign enemy, and the use of the revenues from the tax are expressly limited by the statute to responding to the emergency.

(B) The Governor declares a fiscal emergency pursuant to subdivision (f) of Section 10 of Article IV and the use of the revenues from the tax are expressly limited by the statute to responding to the fiscal emergency.

Sec. 3. Definitions

For purposes of this article, the following definitions shall apply:

(a) "Retirement holdings, individually owned assets, and other forms of personal savings" means pensions; retirement accounts including, but not limited to, 401(k) accounts, 403(b) accounts, and all other individual retirement accounts; mutual funds; and all personal property, whether tangible or intangible, including, but not limited to, financial assets, investment accounts, business interests, digital assets, intellectual property, personal belongings, and other assets used to produce or collect income or savings for retirement or financial planning.

(b) "Tax" means a tax as defined in subdivision (b) of Section 3 of Article XIII A.

Sec. 4. Application of Article

This article applies to all statewide initiative measures submitted to the electors on or after January 1, 2026, including measures that appear on the ballot at the same election at which the measure adding this article is approved by the electors.

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SEC. 5. Conflicting Measures.

(a) (1) In the event that this initiative measure appears on the same statewide election ballot as another initiative measure that would establish, enact, create, impose, or authorize collection of a tax on the ownership or control of retirement holdings, individually owned assets, and other forms of personal savings, or enact a tax that would result in tax liability based on conduct, activities, or a status that occurred or was present prior to the effective date of the initiative measure, then that other initiative measure shall be deemed to be in conflict with this measure. In the event that this initiative measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and all the provisions of the other measure shall be null and void.

(2) For purposes of this section, "retirement holdings, individually owned assets, and other forms of personal savings" shall have the same meaning as proposed by Section 3 of Article VIII of the California Constitution as set forth in Section 4 of this act.

(b) If this initiative measure is approved by the voters but superseded in whole or in part by any other conflicting initiative measure approved by the voters at the same election, and such conflicting measure is later held invalid, this measure shall be self-executing and given full force and effect.

SEC. 6. Severability.

The provisions of this act are severable. If any portion, section, subdivision, paragraph, clause, subclause, sentence, phrase, word, or application of this act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this act. The people of the State of California hereby declare that they would have adopted this act and each and every portion, section, subdivision, paragraph, clause, subclause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any part of this act or application thereof would be subsequently declared invalid.

SEC. 7. Effective Date.

This act shall take effect at the earliest possible date in accordance with Section 10 of Article II of the California Constitution. This act shall become operative on the same day it takes effect.

SEC. 8. Liberal Construction.

This act shall be liberally construed to give effect to its intent and purposes.

SEC. 9. Legal Defense.

The purpose of this section is to ensure that the people's precious right of initiative cannot be improperly annulled by state politicians who refuse to defend the will of the voters. Therefore, if this act is approved by the voters of the State of California and thereafter subjected to a legal challenge that attempts to limit the scope or application of this act in any way, or alleges this act violates any state or federal law in whole or in part, and both the Governor and Attorney General refuse to defend this act to the fullest extent possible on behalf of the State of California, then the following actions shall be taken:

(a) Notwithstanding anything to the contrary contained in Chapter 6 (commencing with Section 12500) of Part 2 of Division 3 of Title 2 of the Government Code or any other law, the Attorney General shall appoint independent counsel to faithfully and vigorously defend this act to the fullest extent possible on behalf of the State of California.

(b) Before appointing or thereafter substituting independent counsel, the Attorney General shall exercise due diligence in determining the qualifications of independent counsel and shall obtain written affirmation from independent counsel that independent counsel will faithfully and vigorously defend this act to the fullest extent possible. The written affirmation shall be made publicly available immediately upon request.

(c) In order to support the defense of this act in instances where the Governor and Attorney General fail to do so despite the will of the voters, a continuous appropriation is hereby made from the General Fund to the Controller, without regard to fiscal years, in an amount necessary to cover the costs of retaining independent counsel to faithfully and vigorously defend this act on behalf of the State of California to the fullest extent possible.

PROPOSITION 43

This amendment proposed by Assembly Constitutional Amendment 22 of the 2025–2026 Regular Session (Resolution Chapter 132, Statutes of 2026) expressly amends the California Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XIII A

That Section 4.5 is added to Article XIII A thereof, to read:

SEC. 4.5. (a) Beginning on January 1, 2027, and notwithstanding Article II and Article XI, no local government, including the electorate of a local government exercising the initiative power, may impose, extend, or increase any special tax, except as provided in Section 4 of this article, subdivision (d) of Section 2 of Article XIII C, and paragraph (2) of subdivision (a) of Section 3 of Article XIII D, unless and until that tax is submitted to the electorate and approved by a two-thirds vote.

(b) Notwithstanding Article II and Article XI, no local government, including the electorate of a local government exercising the initiative power, may impose ad valorem taxes on real property, except as provided in paragraph (1) of subdivision (a) of Section 3 of Article XIII D.

(c) "Local government" and "special tax" shall have the same meaning as provided in Section 1 of Article XIII C.

PROPOSITION 44

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the Corporations Code, Government Code, and the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title.

This measure shall be known and may be cited as the "Clinic Funding Accountability and Transparency Act."

SEC. 2. Findings and Declarations.

The people of the State of California find and declare all of the following:

(a) Federally Qualified Health Centers (FQHCs) are a form of community clinic that are fundamental to the California health care safety net, as their mission is to provide primary and preventive care to low-income and underserved populations.

(b) Most FQHCs in the state are operated by nonprofit organizations governed by a board whose responsibility is to ensure that the clinic meets its missions as a safety-net health care provider and nonprofit public benefit corporation subject to state and federal tax exemptions.

(c) Clinic boards have significant responsibility and exercise a great deal of authority in decisions on both organization design and compensation, including that of the Chief Executive Officer and other executives.

(d) Though existing state law requires nonprofit boards of directors to review and approve Chief Executive Officer and Chief Financial Officer compensation to ensure that it is just and reasonable, many clinics pay excessive shares of their revenue towards executive compensation, resulting in underinvestment in core patient services.

(e) Since 2018, all nonprofits, including clinics, have been required to report the dollar amount of their mission-related, i.e., "program," expenses, as well as "management and administrative" expenses to the IRS annually. Many clinics in California incur management and administrative expenses that are much higher than average—sometimes 30 to 40 percent of total revenue—while others spend less than 10 percent.

(f) Many clinics are highly profitable, sometimes reporting annual surpluses of as much as 20 percent of total revenue, rather than spending the funds in a manner consistent with their charitable mission.

(g) Worker training, recruitment, and retention are problems for California clinics. Clinic workers report chronic understaffing, high workloads, and staffing turnover, as well as long wait times for patients.

(h) It is the intent of this initiative to create a reasonable minimum standard of mission-directed spending as a proportion of total revenue to ensure clinic patient service delivery and workforce stability is prioritized over management and overhead spending.

SEC. 3. Reporting Requirement.

SEC. 3.1. Section 12586.3 is added to the Government Code, to read:

12586.3. (a) For purposes of this section, the following definitions apply:

(1) "Clinic" means any clinic corporation, as defined at paragraph (3) of subdivision (b) of Section 1200 of the Health and Safety Code, that is a federally qualified health center (FQHC) as that term is defined in Section 1396d of Title 42 of the United States Code. For purposes of this paragraph, FQHCs include organizations that do not receive an FQHC award, but are designated by the federal Health Resources and

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Services Administration as meeting FQHC program requirements, as set forth in Sections 1395x(aa)(4)(B) and 1396d(l)(2)(B) of Title 42 of the United States Code, also known as "FQHC look-alikes." "Clinic" shall not include federally recognized Indian tribes, tribal organizations, or urban Indian organizations, as defined in Section 1603 of Title 25 of the United States Code, or any outpatient setting conducted, maintained, or operated by such an entity.

(2) "Mission Spend Ratio" is the total amount spent on activities that accomplish each clinic's exempt purpose divided by that clinic's total revenue, as those figures are described in paragraph (1) of subdivision (b). When calculating Mission Spend Ratio, the Attorney General shall exclude from both the total amount spent on activities and total revenue an amount equal to any penalties paid, expenditures made based on a plan agreed to with the State Department of Public Health, or reimbursements received pursuant to Section 1234.5 of the Health and Safety Code.

(3) "Related party" means a related organization or an organization that is under common ownership or control, as defined in Section 413.17(b) of Title 42 of the Code of Federal Regulations. A related party may include a management organization, owners of real estate, entities that provide staffing, any parent companies, holding companies, subsidiaries, sister organizations, and others.

(b) (1) Each clinic shall annually file with the Registry of Charities and Fundraisers data sufficient for the Attorney General to calculate a "Mission Spend Ratio," as defined herein. This data shall include two components:

(A) Total sums spent on a clinic's exempt purpose. This amount will be based on the data reported in the "total program service expenses" figure from line 4e of Part III of each clinic's Internal Revenue Service Form 990 as of calendar year 2024 or the tax year beginning in 2024 or the successor portion of clinics' tax reporting, but shall be adjusted based on guidance issued by the Attorney General under paragraph (2).

(B) Total revenue for the organization. This amount may will be based on the data reported in the total revenue figure from line 12 of Part I of each clinic's Internal Revenue Service Form 990 as of calendar year 2024 or the tax year beginning in 2024 or the successor portion of clinics' tax reporting, but shall be adjusted based on guidance issued by the Attorney General under paragraph (2).

(2) The Attorney General is authorized to issue binding guidance on how to report these two figures.

(A) Among other topics, the guidance may address:

(i) Additional reporting standards for related party transactions that address the extent the manner in which that data is reported to the Internal Revenue Service has the potential to artificially increase total sums spent on a clinic's exempt purpose, including by permitting transactions to a related party to be attributed to amounts spent on a clinic's exempt purpose even if the related party's resulting expenditures would not be deemed attributable to that exempt purpose, or artificially decrease total revenue, including by permitting revenue to be attributed to a related party.

(ii) How penalties paid under Section 1234.5 of the Health and Safety Code, as well as reimbursements and expenditures made pursuant to a plan agreed upon with the State Department of Public Health under Section 1234.5 of the Health and Safety Code, shall be reported in order to exclude them from the Mission Spend Ratio calculation.

(iii) Consistent with subparagraph (B), additional reporting requirements for expenditures that do not qualify as program service expenses on Internal Revenue Service Form 990 but that the Attorney General determines to nevertheless be spent on the clinic's exempt purpose or expenditures that do qualify as program service expenses on Internal Revenue Service Form 990 but that the Attorney General determines to nevertheless not be spent on the clinic's exempt purpose.

(B) Any guidance shall be designed to further the objectives of the Clinic Funding Accountability and Transparency Act by creating a reasonable minimum standard of mission-directed spending as a proportion of total revenue to ensure clinic patient service delivery and workforce stability is prioritized over management and overhead spending.

(C) The Attorney General shall issue findings stating the reasons for its determination at the time of issuing guidance.

(D) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the Attorney General may implement this paragraph by means of bulletins, notices, or other similar instructions, without taking further regulatory action. Section 1229.1 of the Health and Safety Code shall not apply to violations based on standards adopted under this paragraph.

(3) Nothing in this section shall be construed as governing how a clinic reports data to the Internal Revenue Service.

(4) The Attorney General shall make this data publicly available on its website within 90 days of receipt.

(5) Each clinic shall file this data no later than when they file reports with the Registry of Charities and Fundraisers under Section 12586.

(c) Each clinic shall submit an additional annual registration fee, which shall be used to fund the activities set forth in this section and Section 1234.5 of the Health and Safety Code, notwithstanding any other law. The Attorney General shall adopt a schedule of fees sufficient to cover the reasonable costs of administering these provisions in consultation with the State Department of Public Health. Fees shall be adjusted annually to reflect the actual costs incurred and shall not exceed the amount necessary to fulfill the

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reasonable regulatory costs of administering these provisions.

(d) The Attorney General shall impose sanctions for the failure to comply with the reporting provisions of this section, in the form of an administrative fine of five thousand dollars ($5,000) for a first violation and ten thousand dollars ($10,000) for each subsequent month that a clinic fails to submit the annual reports required by this section. The Attorney General may periodically update the penalty to account for inflation.

(e) No later than 90 days after receipt of each clinic's submission, the Attorney General shall calculate the Mission Spend Ratio for each clinic, transmit the calculation to the clinic and the State Department of Public Health, and make its calculations publicly available on its website.

(f) The Attorney General may conduct an audit of the clinics subject to this section, in a manner and form prescribed by the Attorney General, to ensure the accuracy of the information reported and compliance with the requirements of this section. These audits may also include any audits of contractors or related parties.

(g) Section 9230 of the Corporations Code and Section 12583 of the Government Code shall not apply to this section.

SEC. 4. Penalty.

SEC. 4.1. Section 1234.5 is added to the Health and Safety Code, to read:

1234.5. (a) (1) There is hereby created in the Special Deposit Fund, established pursuant to Section 16370 of the Government Code, the Mission Spend Ratio Penalty Account. The account shall contain all moneys deposited pursuant to subdivision (b).

(2) Moneys held in the Special Deposit Fund shall be held in escrow for a period of five years, after which they shall be subject to appropriation by the Legislature on initiatives funding clinical worker training, recruitment, and retention.

(3) While held in escrow, moneys shall be reimbursed to the clinics, as defined in paragraph (1) of subdivision (a) of Section 12586.3 of the Government Code, that paid them, provided that:

(A) The clinic comes into compliance with the applicable 90 percent Mission Spend Ratio requirement.

(B) The clinic reaches agreement with the State Department of Public Health on a plan to spend all of the moneys reimbursed on mission-directed expenses.

(4) Notwithstanding the preceding paragraph, the State Department of Public Health may use moneys in the Special Deposit Fund to fund the activities set forth in this section, including, but not limited to, maintaining the Special Deposit Fund and conducting the reviews required for a clinic to be eligible for reimbursement pursuant to paragraph (3). Moneys spent may be subtracted from any amounts reimbursed to clinics pursuant to paragraph (3).

(5) The State Department of Public Health shall have authority to audit clinics for compliance with any plans agreed to pursuant to subparagraph (B) of paragraph (3) and recoup any reimbursement to the extent a clinic does not comply. The recoupment shall be subject to the same procedures set forth in paragraphs (2) and (3) of subdivision (b).

(b) (1) The State Department of Public Health shall annually assess on each clinic subject to Section 12586.3 of the Government Code that has a Mission Spend Ratio below 90 percent an administrative penalty equal to the difference between the amount the clinic spent on mission-directed expenses and 90 percent of the clinic's total revenue. The State Department of Public Health shall issue a notice of penalty to any clinics found to be in violation within 30 days of receipt of the Attorney General's Mission Spend Ratio calculation.

(2) If the clinic does not dispute the Mission Spend Ratio calculation or assessment, the penalties shall be paid in full to the State Department of Public Health within 30 days of receipt of a notice of penalty and deposited into the Mission Spend Ratio Penalty Account.

(3) If the clinic disputes the Mission Spend Ratio calculation made pursuant to subdivision (e) of Section 12586.3 of the Government Code or assessment made pursuant to this subdivision, the clinic shall, within 30 days of the clinic's receipt of the notice of penalty, simultaneously submit a request for appeal to both the Attorney General and the State Department of Public Health. A request for an appeal may be made by a facility based upon a determination that does not result in an assessment. The request shall include a detailed statement describing the reason for appeal and include all supporting documents the clinic will present at the hearing. Upon timely service by the clinic of the request, a hearing shall be set and the proceedings shall be conducted in accordance with Article 1 (commencing with Section 131050) of Chapter 2 of Part 1 of Division 112.

(c) (1) A clinic may apply to the State Department of Public Health for a waiver providing a temporary pause of the 90 percent requirement or for an alternative mission spend ratio requirement, on the basis of unexpected or exceptional circumstances or the clinic's economic condition. The issuance and terms of the waiver pursuant to this subdivision shall be solely and exclusively within the authority of the State Department of Public Health. A waiver issued pursuant to this subdivision shall be for a term of one year from the date of issuance.

(2) To obtain a waiver based on unexpected or exceptional circumstances, a clinic shall detail the following circumstances experienced by the clinic:

(A) When the clinic first learned of the unexpected or exceptional circumstances.

(B) Why the clinic could not have anticipated those circumstances arising.

(C) Actions that the clinic took to address those circumstances.

(D) Expenses incurred as a result of addressing those circumstances.

(E) When the clinic expects those circumstances to be resolved.

(F) Preventive steps that the clinic is taking to ensure that those circumstances do not unexpectedly arise in the future.

(3) To obtain a waiver based on economic condition, a clinic shall demonstrate that compliance with the 90 percent Mission Spend Ratio requirement would raise doubts about the clinic's ability to continue as a going concern under generally accepted accounting principles. The evidence shall include documentation of the clinic's financial condition, the financial condition of any parent or affiliated entity, and evidence of the actual or potential direct financial impact of compliance with the 90 percent Mission Spend Ratio.

(4) Consideration of a clinic's ability to continue as a going concern shall include the following factors regarding the clinic or any affiliated entity:

(A) Actual or likely closure of any facilities operated by the clinic or any affiliated entity.

(B) Actual or likely closure of patient services or programs.

(C) Actual or likely loss of jobs.

(D) Whether the facilities operated by the clinic are small, rural, or frontier, or serve a rural catchment area.

(E) Whether closure of any facilities operated by the clinic would significantly impact access to services in the region or service area.

(F) Whether the clinic is in financial distress that results or is likely to result in the closure of any facilities it operates or any affiliated entity, closure of patient services or programs, or loss of jobs. Factors to consider in determining financial distress include, but are not limited to, the clinic's prior and projected performance based on financial metrics, including the amount of cash on hand, and whether the clinic has, or is projected to experience, negative operating margins.

(5) Requests for a waiver pursuant to this subdivision shall be submitted in writing to the State Department of Public Health.

(6) The State Department of Public Health shall notify the clinic of the decision on the waiver request in writing.

(7) A clinic may apply to renew a waiver issued pursuant to this subdivision at any time but by no later than 180 days before the expiration of the existing waiver.

SEC. 5. Breach of Charitable Trust Claim.

SEC. 5.1. Section 5142.1 is added to the Corporations Code, to read:

5142.1. (a) Notwithstanding Section 5142, in the event that a clinic subject to Section 12586.3 of the Government Code either fails to report data as required pursuant to subdivision (b) of Section 12586.3 of the Government Code, or has both a Mission Spend Ratio, as defined in paragraph (2) of subdivision (a) of Section 12586.3 of the Government Code, of under 90 percent and is not subject to a waiver pursuant to subdivision (c) of Section 1234.5 of the Health and Safety Code, any patient of that FQHC may bring an action to enjoin, correct, or otherwise remedy a breach of a charitable trust pursuant to the same procedures applicable to a claim brought pursuant to Section 5142.

(b) Notwithstanding Section 5231, good faith shall not be a defense to any action brought pursuant to this section, nor shall any form of the business judgment rule apply in any aspect to challenged breaches, except as provided under Section 5239.

(c) This section shall also be subject to enforcement pursuant to Section 17204 of the Business and Professions Code.

SEC. 6. Criminal Penalties.

SEC. 6.1. Section 6814.1 is added to the Corporations Code, to read:

6814.1. Every director, officer or agent of any clinic subject to Section 12586.3 of the Government Code who either knowingly misreports expenditures or revenues under Section 12586.3 of the Government Code or knowingly participates in a scheme to route expenditures or revenues through related parties as defined in Section 12586.3 of the Government Code, including, but not limited to, related foundations, with intent to artificially increase their Mission Spend Ratio, is punishable by imprisonment pursuant to subdivision (h) of Section 1170 of the Penal Code, or by imprisonment in a county jail for not more than one year.

SEC. 7. Severability.

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

SEC. 8. Effective Date.

Consistent with the purposes of this act, the requirements on Mission Spend Ratio provided by this act shall apply to each clinic's first full fiscal year beginning at least 6 months after passage of this act.

SEC. 9. Amendment.

Pursuant to subdivision (c) of Section 10 of Article II of the California Constitution, this act may be amended either by a subsequent measure submitted to a vote of the people at a statewide election; or by statute validly passed by the Legislature and signed by the Governor, but only to further the purposes of this act.

SEC. 10. Competing Measures.

In the event this measure and another measure that governs Mission Spend Ratio at some or all covered clinics appear on the same statewide ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. Another measure shall not be deemed to be in conflict with this measure solely because it adds or amends one or more of the sections of the Government Code, Health and Safety Code, or Corporations Code added or amended by this measure. In the event this measure receives a greater number of affirmative votes than a measure deemed to be in conflict with it, the provisions of this measure shall prevail in their entirety, and the other measure or measures shall be null and void.

PROPOSITION 45

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the Public Resources Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Chapter 1.5 (commencing with Section 21010) is added to Division 13 of the Public Resources Code, to read:

Chapter 1.5. Building an Affordable California Act

Article 1. Title, Findings and Declarations, and Purpose

21010. Title

This chapter shall be known, and may be cited, as the Building an Affordable California Act.

21011. Findings and Declarations

The people of the State of California hereby find and declare all of the following:

(a) California's outdated system for approving essential projects is too slow, too bureaucratic, and too costly. Essential projects like clean water, clean energy, hospitals, affordable housing, roads, wildfire prevention, schools, public safety, and other infrastructure improvements are being delayed or blocked by unnecessary red tape, bureaucratic delays, and excessive lawsuits.

(b) These delays substantially increase the cost of living for all Californians. Research shows that permitting delays alone add tens of thousands of dollars to the price of a new home, driving up rents and mortgages for homeowners and renters. Similar red tape adds billions of dollars to the cost of building hospitals, water infrastructure, roads, bridges, clean energy, schools, broadband, and wildfire mitigation projects, costs ultimately passed on to consumers and taxpayers.

(c) California's permitting laws were written more than 50 years ago, before today's modern environmental laws were in place. That outdated system now works against the state's environmental and public health goals by slowing down or blocking essential projects that would reduce air pollution, lower greenhouse gas emissions, safeguard water supplies, protect communities from wildfire, and preserve wildlife and the environment.

(d) The act will modernize and streamline state law to cut bureaucratic red tape and unnecessary delays, limit frivolous lawsuits that block essential projects while allowing public agencies and essential project applicants to continue sharing the burden of defending against those suits, and speed up delivery of projects Californians rely on every day.

(e) Every year of delay means Californians wait longer and pay more for the things they need most. The act applies to the state's most essential projects, including:

(1) Clean drinking water and secure water supplies for communities across the state.

(2) Safe, modern hospitals and clinics to ensure access to affordable health care.

(3) Clean energy and reliable electricity to reduce energy bills and fight climate change.

(4) Housing of all types in order to make housing more affordable for families struggling with skyrocketing rents and mortgages as well as vulnerable senior populations.

(5) Roads, bridges, and transit to cut traffic congestion and improve public safety.

(6) Wildfire prevention and resilience projects to protect lives, homes, and natural resources.

(7) Safe, modernized public schools and educational facilities for students and educators.

(8) Broadband and telecommunications infrastructure to connect underserved communities and expand opportunity.

(f) By speeding up these essential projects, the act will make California more affordable and lower the cost of housing, energy, electricity, health care, and other necessities, while also reducing taxpayer costs for public works projects.

(g) The act will also jump-start projects that create well-paying jobs and put tens of thousands of Californians to work, especially in construction, clean energy, and infrastructure, helping grow California's economy when it is needed most.

(h) Importantly, the act maintains state and federal clean air, clean water, and environmental protection laws, including the Endangered Species Act, the Safe Drinking Water Act, the federal Toxic Substances Control Act, the federal Clean Water Act, the Clean Air Act, the federal Environmental Quality Improvement Act, the California Global Warming Solutions Act, the California Coastal Act, and the federal Resource Conservation and Recovery Act. This chapter will help build the projects needed to make California more affordable, without repealing these laws that keep families and the environment safe.

(i) We can and must build an affordable California.

21012. Statement of Purpose

The purpose of this chapter is to make California more affordable by streamlining and speeding approval of essential projects, reducing costs for families and taxpayers, improving quality of life, creating good jobs, and maintaining California's strongest-in-the-world environmental protections.

Article 2. Application of Chapter and Interaction with Other Laws

21013. Projects Subject to this Chapter

This chapter applies only to essential housing projects, essential clean energy projects, essential water projects, essential public health projects, essential public safety projects, essential broadband internet access projects, essential education facility projects, and essential transportation projects that the people of California hereby declare to be critical to their quality of life and affordability in this state.

21014. Application of Chapter

(a) This chapter does not diminish the authority of any public agency to approve or disapprove an essential project. No outcomes on any proposed essential project are preordained by this chapter.

(b) This chapter does not exempt any essential project from environmental review under this division or any other law. This chapter establishes clear timelines and other procedures for review under this division and administrative permit review for essential projects.

(c) Except as otherwise provided in this chapter, this chapter shall apply to review and processing of any and every application or approval for an essential project and its accompanying land use entitlements, including, without limitation, discretionary adjudicative and legislative land use entitlements triggering programmatic, plan-level, or project-level environmental review under this division.

(d) This chapter shall apply to all public agencies.

(e) (1) To the extent a conflict exists between this chapter and any other law, this chapter shall control. Notwithstanding anything to the contrary, this chapter shall not abrogate or limit any otherwise applicable statutory or categorical exemption from this division.

(2) Notwithstanding Section 21100 or any other law, the provisions of this chapter shall control and supersede any conflicting requirement for environmental review of an essential project, and any accompanying permit review. No provision of Section 21100 or any other law shall invalidate or limit the application of this chapter to an essential project.

(f) (1) An application for an essential project that was submitted to a public agency before the effective date of this chapter, and that has not yet received final approval before that date, may be withdrawn and resubmitted after the effective date of this chapter.

(2) An application for an essential project that is withdrawn and resubmitted as provided in paragraph (1) can be reviewed and approved pursuant to the provisions of this chapter.

(3) Essential housing projects with applications withdrawn and resubmitted as provided in paragraph (1) shall not lose any vested rights or other benefits the applicant acquired through any provisions of law, including, without limitation, the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7 of the Government Code), the Housing Accountability Act (Section 65589.5 of the Government Code), the Builder's Remedy (Chapter 268 of the Statutes of 2024), and the Housing Crisis Act of 2019 (Chapter 12 (commencing with Section 66300) of Division 1 of Title 7 of the Government Code). Vested rights shall relate back to the date any preliminary application pursuant to Section 65941.1 of the Government Code was submitted or the date vesting occurs pursuant to other applicable law.

(4) (A) If an application for an essential project was deemed or determined complete before the effective date of this chapter, the application shall be deemed complete for purposes of this chapter, and a public agency shall not require additional completeness review.

(B) In circumstances where an application has been withdrawn and resubmitted as provided in paragraph (1), any deadlines in this chapter that are triggered by the date an application is determined or deemed to be complete shall be calculated from the time the essential project application is resubmitted by the applicant.

(g) The timelines and deadlines set forth in this chapter shall apply to all essential project applications that are determined or deemed complete, pursuant to Section 21017 or any other law, after the effective date of this chapter irrespective of the date of the application's submission.

(h) Notwithstanding any other law:

(1) If an essential project is a portion or component of a larger project, the portion or component that qualifies as an essential project may be processed, reviewed, and approved pursuant to this chapter.

(2) If the whole of a project is an essential project, the essential project may be implemented in multiple phases, and phased applications are not required to individually meet the criteria for an essential project to be processed, reviewed, and approved pursuant to this chapter.

(i) Unless otherwise stated in this chapter, nothing in this chapter shall be construed to eliminate or restrict a lead agency's discretion to determine an appropriate threshold of significance or mitigation measure in preparing environmental review documents.

(j) Nothing in this chapter prohibits a public agency from imposing a fee upon an applicant, consistent with Articles XIII A and XIII C of the California Constitution, for purposes of covering governmental costs associated with processing and reviewing essential project applications.

(k) An applicant may consent to providing a public agency with additional time to complete environmental review pursuant to Section 21018 or 21019, or to make

a decision on other public agency action sought by the applicant pursuant to Section 21023, by agreeing to withhold a written request that the applicant is otherwise entitled to submit pursuant to subdivision (a) of Section 21020 or subdivision (b) of Section 21023.

21015. Interaction with Other Laws

(a) In order to maximize the ability to streamline and speed up approval of essential projects, an applicant may elect to utilize none, some, or all of the provisions of this chapter, and may do so in combination with, or as alternatives to, other land use and environmental review laws, mechanisms, or procedures. Nothing in this chapter either (1) prohibits an applicant from availing itself of other land use and environmental review laws that would provide for more expeditious or advantageous review and approval of essential projects compared to this chapter or (2) requires an applicant seeking approval of a project that meets the definition of an essential project to utilize this chapter.

(b) To the extent that an ambiguity arises regarding how this chapter might operate in conjunction with other provisions of law, the policies and intent set forth in Section 21029 shall control.

(c) The following provisions shall apply to an essential housing project:

(1) The prevailing wage provisions of paragraph (8) of subdivision (a) of Section 65913.4 of the Government Code shall apply solely to buildings over 85 feet in height above grade in any essential housing project.

(2) The provisions of paragraphs (3) and (5) of subdivision (d) of Section 21080.66, as added by Section 59 of Chapter 22 of the Statutes of 2025 (Assembly Bill 130), shall apply to an essential housing project that utilizes this chapter.

(3) (A) In addition to a direct contractor or subcontractor, the provisions of Section 218.9 of the Labor Code shall extend to the owner of an essential housing project during construction of the essential housing project that utilizes this chapter.

(B) For purposes of this paragraph, "owner" means an owner as defined in subdivision (e) of Section 8182 of the Civil Code.

(d) Notwithstanding subdivision (a):

(1) All essential projects that utilize this chapter shall comply with the requirements set forth in Section 21016 pertaining to initial screening and tribal consultation.

(2) With the exception of essential housing projects, all essential projects that utilize this chapter shall comply with the requirements set forth in Section 21028 pertaining to applying the labor requirements described in Section 21183.5 to essential projects.

(3) (A) Except as provided in subparagraph (B), all essential housing projects that utilize this chapter shall comply with the requirements set forth in subdivision (c) pertaining to wages and labor standards on essential housing projects.

(B) If an essential housing project applicant chooses to proceed in part pursuant to this chapter, and in part pursuant to another voluntary streamlined environmental review processing law codified outside of this chapter that also requires the use of either prevailing wages or a project labor agreement, the applicant is required to comply with whatever prevailing wage or project labor agreement requirements are mandated by the other streamlining law for essential project components that are processed and approved pursuant to that other streamlining law.

Article 3. Initial Screening, Tribal Consultation, and Completeness of Essential Project Applications

21016. Tribal Cultural Resources: Initial Screening and Tribal Consultation on Essential Projects

(a) Purpose. The people of the State of California hereby declare that this section is necessary in order to provide for early and meaningful tribal consultation as a key element of essential project planning while maintaining protections for tribal cultural resources. Consulting tribes have knowledge and expertise concerning tribal cultural resources located within essential project areas.

(b) Construction and Interpretation.

(1) Notwithstanding Section 21015 or any other provision of law, the tribal consultation process for essential projects shall follow the provisions set forth in this section.

(2) Nothing in this chapter is intended to alter or conflict with federal government-to-government consultation obligations involving consulting tribes.

(3) The timelines established in Article 4 (commencing with Section 21018) shall not alter the duration of consultation with a consulting tribe on an essential project pursuant to Sections 21080.3.1 and 21080.3.2.

(4) If any technical studies are conducted for the essential project that inform analysis, measures or treatment of tribal cultural resources, consulting tribes shall be afforded the opportunity to review and provide input on those studies.

(5) When provided by a consulting tribe, tribal traditional knowledge shall be incorporated in the identification, treatment, and protection measures concerning tribal cultural resources. As tribal cultural resources is a separate category from cultural resources and archaeological resources, some archaeological methods and standards may not be appropriate for tribal cultural resources. If the lead agency elects not to utilize tribal methods and standards or tribal traditional knowledge, it shall explain its decision in the environmental documents for the essential project, supported by substantial evidence.

(6) All information regarding tribal cultural resources and tribal traditional knowledge disclosed by a consulting tribe shall remain confidential consistent with subdivision (c) of Section 21082.3, and that information shall not be disclosed in the administrative record of proceedings without the permission of the consulting tribe. Lead agencies shall, in consultation

with affected consulting tribes, determine appropriate measures to maintain confidentiality of information regarding tribal cultural resources and tribal traditional knowledge, including, but not limited to, redaction of precise locations, restricted mapping, secure data storage, or other protective handling of tribal cultural resources information. Any written explanation under paragraph (5) of subdivision (c) shall not be subject to challenge to the extent the lead agency does not have permission from the consulting tribe to disclose supporting information due to the confidentiality requirements of this paragraph.

(7) Completion of the initial screening process pursuant to subdivision (c) operates separately from, and does not modify, pause, or affect, any requirements or timelines set forth in Section 21017 or any other provisions of this division.

(c) Initial screening. Upon the applicant's submittal of a preliminary application pursuant to any other law, the applicant's written notice pursuant to subdivision (b) of Section 21024, or an application for an essential project, an early screening to identify and evaluate tribal cultural resources shall take place. An initial screening means the act of participating in early discussions, before an application is determined complete by the lead agency, through a meet and confer process between the consulting tribe, lead agency, and applicant regarding the potential effects a proposed essential project could have on tribal cultural resources. As part of the initial screening process, all of the following shall occur:

(1) (A) An applicant shall provide the lead agency with the following existing information:

(i) A description of the proposed essential project.

(ii) A conceptual site map showing the proposed footprint, alignment, or general boundaries of the project area.

(iii) A vicinity map identifying major landmarks, roadways, and natural features.

(iv) Any geotechnical, environmental, and site-specific technical studies previously developed to support meeting and conferring pursuant to paragraph (4) on early design, routing, or feasibility analysis relating to or affecting tribal cultural resources.

(v) For linear projects such as electric transmission lines, pipelines, rail lines, aqueducts, communications lines, and roads, applicants shall include the general corridor and the location of any starting and ending facilities or substations.

(B) Applicants shall not be required to produce new studies or analyses for the purposes of this subdivision. Any input pursuant to this section other than regarding the identification of tribal cultural resources shall be provided during the tribal consultation process pursuant to subdivision (d).

(2) Within 20 days of receiving the information described in paragraph (1), the lead agency shall complete a records search for recorded and documented archaeological resources, cultural resources, and tribal cultural resources within the proposed project area and the area of potential effects (APE), as that term is defined under Section 800.16 of Title 36 of the Code of Federal Regulations, as determined by the lead agency, through all of the following:

(A) The Sacred Lands File maintained by the Native American Heritage Commission.

(B) The California Historical Resources Information System (CHRIS) maintained by the State Office of Historic Preservation.

(C) The lead agency's records.

(3) Upon completing the search required by paragraph (2), the lead agency shall provide consulting tribes all information obtained pursuant to paragraphs (1) and (2), as well as an invitation to meet and confer pursuant to paragraph (4).

(4) After receiving the information provided by the lead agency pursuant to paragraph (3) and upon the request of a consulting tribe, the consulting tribe, lead agency, and applicant shall meet and confer regarding the proposed essential project and any known or recorded tribal cultural resources, and a consulting tribe may share any information, including information in tribal government registers. During the meet and confer, the three parties shall identify and evaluate treatment and protection methods, measures, and conditions to address impacts on tribal cultural resources, including avoidance and preservation in place. Unless otherwise agreed upon by all parties, any agreements among all the parties from the meet and confer shall be finalized during the tribal consultation process set forth in subdivision (d). The results of the meet and confer shall be documented and maintained by the lead agency in agreement with the consulting tribe.

(5) (A) If a consulting tribe does not respond to the initial screening invitation provided by the lead agency pursuant to paragraph (3) within 30 days, the initial screening process pursuant to this subdivision shall be deemed to have concluded and the parties shall move into the tribal consultation process set forth in subdivision (d). A consulting tribe's decision not to meet and confer under the initial screening process in this subdivision shall in no way affect the consulting tribe's ability or right to participate in the tribal consultation process set forth in subdivision (d).

(B) The initial screening process provided in this subdivision shall end when the tribal consultation process set forth in subdivision (d) begins.

(C) Where the tribal consultation process set forth in subdivision (d) does not apply, the initial screening process under this subdivision shall terminate upon the date of the parties' agreement from the meet and confer pursuant to paragraph (4) or 30 days from the date an application for an essential project is determined complete by the lead agency or deemed complete by operation of law, whichever occurs first.

(d) Tribal consultation. Tribal consultation for an essential project shall be conducted pursuant to

Sections 21074, 21080.3.1, 21080.3.2, 21082.3, 21084.2, and 21084.3, except as modified as follows:

(1) The purpose of tribal consultation is to identify tribal cultural resources and evaluate treatment and protection measures for those tribal cultural resources, including the implementation of treatment and protection measures.

(2) Tribal consultation is not meaningful if the consulting tribe is not provided with reasonably requested technical information, including, but not limited to, project information and constraints, data, maps, and information concerning project activities as they relate to treatment and protection of tribal cultural resources. During tribal consultation pursuant to this subdivision, the lead agency shall engage in iterative discussions with the consulting tribe regarding the development of mitigation measures related to tribal cultural resources, including preliminary concepts or approaches before publication of any draft environmental document. This includes notifying the consulting tribe of any existing technical studies or reports in the lead agency's possession that relate to tribal cultural resources on or in the vicinity of the essential project site, to the extent permitted by applicable confidentiality laws, and providing the consulting tribe with access to those studies or reports. To the extent any draft environmental review document is provided to the applicant for review in advance of the public comment period for that environmental review document, the draft shall also be made available to the consulting tribe at the time it is provided to the applicant. Nothing in this section shall be construed to require the lead agency to prepare or circulate draft environmental review documents for purposes of tribal consultation.

(3) Where the lead agency, a consulting tribe, and the applicant agree in writing to measures to avoid or mitigate a significant effect on a tribal cultural resource, those measures and any written agreement shall become enforceable conditions of project approval, subject to the confidentiality requirements under paragraph (6) of subdivision (b).

(e) Treatment and protection of tribal cultural resources. When feasible, damaging effects to any tribal cultural resources shall be avoided. Consistent with subdivision (b) of Section 21014, nothing in this subdivision alters the lead agency's obligation under CEQA to avoid or mitigate significant impacts to tribal cultural resources when feasible. Mitigation and treatment measures adopted in consultation with the consulting tribe pursuant to this subdivision to avoid or minimize significant impacts to tribal cultural resources shall be consistent with the following:

(1) Avoidance and preservation in place shall be considered when requested by the consulting tribe. A tribal cultural resource may be avoided or preserved in place through project design, buffering, or other protective measures to avoid the tribal cultural resources and protect the cultural and natural context, or planning greenspace, parks, or other open space to incorporate the tribal cultural resources with culturally appropriate protection and management criteria referenced in the project's environmental documents.

(2) If an essential project has the potential to cause a substantial adverse change in the significance of a tribal cultural resource, and avoidance and preservation in place are not feasible, the lead agency shall demonstrate and document the basis for that determination with substantial evidence, and the consulting tribe may identify culturally appropriate mitigation measures that the lead agency shall consider and incorporate, to the extent feasible, in developing mitigation and treatment measures in a manner consistent with paragraph (2) of subdivision (b) of Section 21084.3.

(3) When an essential project proposes construction-related ground disturbance activities and when requested by the consulting tribe, the lead agency shall include inadvertent discovery measures to reduce significant impacts to tribal cultural resources. Those measures may include procedures for temporary halts of grading, identification and assessment protocols, timing provisions, and additional treatment methods or protective measures.

(f) Essential project approval. A lead agency may only approve an essential project pursuant to this section when all of the following apply:

(1) Tribal consultation has concluded in good faith.

(2) Where there is agreement among all parties pursuant to either paragraph (4) of subdivision (c) or subdivision (d), any agreed upon mitigation and avoidance measures are included as enforceable project conditions.

(3) If avoidance and preservation in place is not feasible, the lead agency has demonstrated and documented the basis for that determination with substantial evidence and incorporated other measures to minimize impacts consistent with CEQA.

21017. Determining Completeness of Essential Project Applications

(a) (1) When a public agency receives an initial application for an essential project, the public agency shall review the application, make a written finding whether the application is complete, and notify the applicant in writing of the determination.

(2) The written determination of completeness for an initial application shall be made within 30 days of the public agency's receipt of the initial application. If the public agency fails to provide a determination of completeness within 30 days, then the initial application shall be deemed complete for the purposes of this division.

(3) An application shall not be determined to be incomplete on the basis of (A) informational or analytical studies or documents that were not required by the public agency in a written, publicly available submittal requirement checklist or similar document in existence at the time the initial application was

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submitted or (B) statutes, regulations, rules, standards, or ordinances that are not existing laws.

(b) If the public agency's determination of completeness finds that the initial application for an essential project is incomplete, at the time that finding is made the public agency shall also provide the applicant with an exhaustive written corrections list containing thorough descriptions of the items and specific information, or lack thereof, that led to the finding of incompleteness.

(c) (1) (A) The applicant shall, within 90 days of a notification that its initial application is incomplete, submit additional information or a revised application that addresses the matters identified on the written corrections list.

(B) If the applicant cannot comply with the 90-day deadline in subparagraph (A) to submit either additional information or a revised application, the applicant shall notify the public agency in writing why it is unable to do so and include an estimate of when it will be able to do so.

(2) Upon any submission of supplemental information or a revised application, the public agency shall determine if the supplemented submittal is complete based only on the written corrections list provided by the agency pursuant to subdivision (b). The public agency shall provide a determination of completeness based upon the supplemented submittal within 30 days of receipt thereof. If the public agency finds that the supplemented submittal is still incomplete, at the time that finding is made the public agency shall provide the applicant with an updated exhaustive written corrections list. The updated written corrections list may only contain items included on the written corrections list provided in response to the applicant's initial application.

(3) If a supplemented submittal is again deemed incomplete, the applicant may submit additional rounds of supplemental information or revised applications pursuant to the procedures and timelines set forth in this subdivision.

(4) If the public agency fails to provide a determination of completeness within 30 days of receiving either supplemental information or a revised application pursuant to paragraph (2) or (3), the application shall be deemed complete for purposes of this division.

(5) A public agency shall not request or require an applicant to provide any new information unless that information was included on the exhaustive written corrections list for the immediately prior version of the application.

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(d) (1) A determination of completeness finding that an initial application, supplemented application, or revised application is incomplete shall be appealable by the applicant to the public agency's planning commission, planning director, or other official with final authority over application completeness. If the public agency does not have a planning commission, planning director, or other official with final authority over application completeness, then the appeal shall be heard by the highest-ranking elected or appointed decisionmaking body or official of the agency. There shall be a final written determination on the appeal not later than 60 days after receipt of the applicant's written appeal.

(2) If the final written determination on the appeal is not made within the 60-day period described in paragraph (1), the application shall be deemed complete for the purposes of this division.

(e) The applicant may bring a civil action challenging an adverse determination under subdivision (d). Any action shall be commenced within 90 days of an adverse final written determination issued pursuant to subdivision (d).

Article 4. Review of Completed Applications for Essential Projects

21018. Local Agency Timeline for Completing Environmental Review of Essential Projects

(a) A local agency that is acting as a lead agency (local lead agency) for an application or approval of an essential project shall decide whether the project is subject to subdivision (b), (c), or (d) within 30 days of the essential project application being determined or deemed to be complete pursuant to Section 21017, or deemed complete pursuant to any other law, whichever occurs first.

(b) Essential projects that require an environmental impact report. For essential projects that require an environmental impact report, the local lead agency shall make a final determination whether to certify an environmental impact report no later than 365 days after the essential project application being determined or deemed to be complete pursuant to Section 21017, or deemed complete pursuant to any other law, whichever occurs first.

(c) Essential projects that require a negative declaration or mitigated negative declaration. For essential projects that require a negative declaration or mitigated negative declaration, the local lead agency shall make a final determination whether to adopt a negative declaration or mitigated negative declaration no later than 180 days after the essential project application being determined or deemed to be complete pursuant to Section 21017, or deemed complete pursuant to any other law, whichever occurs first.

(d) For all other environmental review documentation prepared pursuant to this division for an application or approval of an essential project, the local lead agency shall, within 90 days after the essential project application being determined or deemed to be complete pursuant to Section 21017 or deemed complete pursuant to any other law, whichever occurs first, make a final determination that the essential project is exempt from this division or that the essential project's impacts were previously evaluated under a prior environmental review document pursuant to, without limitation, Section 21083.3 or 21094.5, or an

addendum pursuant to Section 15162 or 15164 of Title 14 of the California Code of Regulations.

(e) The deadlines set forth in subdivisions (b), (c), and (d) shall be extended upon written request from the applicant.

21019. Timeline for Completing Environmental Review of Essential Projects by Public Agencies That Are Not Local Agencies

(a) A public agency other than a local agency that is acting as a lead agency (nonlocal lead agency) for an essential project shall decide whether the project is subject to subdivision (b), (c), or (d) within 30 days of the essential project application being determined or deemed to be complete pursuant to Section 21017, or deemed complete pursuant to any other law, whichever occurs first.

(b) Essential projects that require an environmental impact report. For essential projects that require an environmental impact report, the nonlocal lead agency shall make a final determination whether to certify an environmental impact report no later than 365 days after the essential project application being determined or deemed to be complete pursuant to Section 21017, or deemed complete pursuant to any other law, whichever occurs first.

(c) Essential projects that require a negative declaration or mitigated negative declaration. For essential projects that require a negative declaration or mitigated negative declaration, the nonlocal lead agency shall make a final determination whether to adopt a negative declaration or mitigated negative declaration no later than 180 days after the essential project application being determined or deemed to be complete pursuant to Section 21017, or deemed complete pursuant to any other law, whichever occurs first.

(d) For all other environmental review documentation prepared pursuant to this division for an application or approval of an essential project, the nonlocal lead agency shall, within 90 days after the essential project application being determined or deemed to be complete pursuant to Section 21017 or deemed complete pursuant to any other law, whichever occurs first, make a final determination that the essential project is exempt from this division or that the essential project's impacts were previously evaluated under a prior environmental review document pursuant to, without limitation, Section 21083.3 or 21094.5, or an addendum pursuant to Section 15162 or 15164 of Title 14 of the California Code of Regulations.

(e) The deadlines set forth in subdivisions (b), (c), and (d) shall be extended upon written request from the applicant.

21020. Noncompliance with Timelines for Completing Environmental Review of Essential Projects

(a) When a local lead agency or a nonlocal lead agency fails to comply with a deadline set forth in subdivisions (b) to (d), inclusive, of Section 21018, or subdivisions (b) to (d), inclusive, of Section 21019, the applicant may make a written request for the agency to hold a meeting or hearing on the essential project as provided in this section.

(b) Within 60 days of receipt of a written request pursuant to subdivision (a), the local lead agency or nonlocal lead agency shall do all of the following:

(1) Complete all environmental review documentation for the essential project or assemble available environmental review documentation, including any applicant-prepared environmental review document as is allowed pursuant to subdivision (b) of Section 21082.1 or any other law.

(2) Hold a meeting or hearing on the essential project application as follows:

(A) If the agency has a multimember decisionmaking body subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code), the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), or similar open meeting law, the agency shall place the essential project on its agenda for a regular or special meeting of the agency's highest-ranking decisionmaking body.

(B) If the agency does not have a multimember decisionmaking body subject to the Bagley-Keene Open Meeting Act, the Ralph M. Brown Act, or a similar open meeting law, then the highest-ranking official of the agency, or their designee, shall hold a hearing with the applicant on the essential project.

(3) Notwithstanding any other provision of this division or any other law, at the meeting or hearing described in paragraph (2), the agency shall do both of the following:

(A) Make a final written determination on the available environmental review documentation that has been completed as of the date of the meeting or hearing.

(B) Make a final written determination to approve or disapprove the essential project.

(c) (1) If the local lead agency or nonlocal lead agency has a planning commission or planning director, upon receipt of a written request pursuant to subdivision (a), the planning commission or planning director shall hold a regular or special meeting for the purpose of providing a recommendation on the essential project.

(2) The meeting of the planning commission or planning director described in this subdivision shall occur within 30 days of receipt of a written request pursuant to subdivision (a).

(3) Any environmental review documentation needed for the meeting described in this subdivision shall be completed in advance of the date of the meeting as required by law.

(d) The deadlines set forth in subdivisions (b) and (c) shall only be extended upon a written request made by the applicant.

(e) Except as provided in subdivision (f), a local lead agency and a nonlocal lead agency have a nondiscretionary ministerial duty to comply with the

deadlines set forth in this section or in any written request made pursuant to subdivision (d) and complete the actions described in paragraph (3) of subdivision (b).

(f) If, before the expiration of the 60-day period provided in subdivision (b), the agency completes all environmental documentation for the essential project and issues a final written determination to approve the essential project, the agency and the applicant may mutually agree in writing to cancel the meeting or hearing on the essential project required by paragraph (2) of subdivision (b).

(g) (1) An action under this division may be brought by the applicant challenging either of the following:

(A) The agency's failure to comply with its nondiscretionary ministerial duties described in subdivision (e).

(B) The agency's denial or imposition of unlawful conditions of approval on an essential project.

(2) The action shall be commenced within 90 days of the agency's failure, denial, or imposition described in paragraph (1).

(h) Notwithstanding any other provision of this section, Section 21018, or Section 21019, where the lead agency for an essential project is also the applicant for that essential project, the lead agency may extend any deadline contained in this section, Section 21018, or Section 21019 through a written notice that specifies the duration of the extension and the reason for it. The notice shall be posted on the lead agency's internet website and included in the administrative record.

21021. Timeline for Public Comments on Essential Projects

(a) A public agency shall circulate an environmental review document for an essential project for public comment periods as follows:

(1) Twenty days for a negative declaration or mitigated negative declaration or other document requiring public circulation under state law.

(2) Forty-five days for a draft environmental impact report or subsequent or supplemental environmental impact report.

(b) A public comment period described in subdivision (a) shall not be tolled or extended except by a court of competent jurisdiction.

(c) If a public agency continues any public hearing on an essential project, or the CEQA review of that essential project, the public agency shall continue the hearing to a date certain and, upon approval of the continuance, close the public comment period. The public agency shall not reopen the public comment period at any subsequent hearing on the essential project.

(d) (1) Notwithstanding any other law, only the following comments shall be included in the administrative record for an essential project:

(A) Electronic and written comments received during the public comment periods set forth in subdivision (a).

(B) For CEQA determinations with no comment period set forth in subdivision (a), electronic and written comments received at least 48 hours before a public hearing or noticed decision on the environmental review documentation for the essential project.

(C) (i) For hearings or appeals of a CEQA determination, electronic and written comments received at least 48 hours before a public hearing on issues that could not have been raised during the public comment period set forth in subdivision (a) because of significant changes to the essential project that precluded the issue from being raised during the public comment period, or new information that was not known and could not have been known during the public comment period.

(ii) "Significant changes to the essential project" shall not include any changes to an essential project made in response to public comment, through the CEQA alternatives review process, or through lead agency concerns identified during the CEQA process.

(D) Oral testimony at a noticed and recorded public hearing.

(2) All other public comments shall be disregarded and excluded from the administrative record.

(e) Notwithstanding any other law, a response by the lead agency or applicant to a comment described in paragraph (1) of subdivision (d), or comments from the applicant in response to a question from a public agency or to demonstrate the essential project's compliance with this division, shall, without qualification, be included in the administrative record for an essential project.

21022. Determination of Impacts

Notwithstanding any other law:

(a) (1) A public agency considering whether to approve an essential project shall identify, evaluate, determine significance, and mitigate the impacts of an essential project based on compliance with existing laws.

(2) To the extent a public agency has published, adopted, or routinely used thresholds of significance for environmental effects of essential projects on the date a preapplication or an application for an essential project is filed, whichever occurs first, an applicant may elect to vest into those thresholds of significance, in which case the public agency shall use them in determining the significance of the essential project's environmental effects.

(b) An essential project's compliance with this division and the state CEQA Guidelines shall be based solely upon the project's compliance with subdivision (b) of Section 21029.

(c) An applicant may waive the application of one or both of subdivision (a) or (b) to an essential project by submitting a written request for a waiver to the public agency.

21023. Other Public Agency Actions for Essential Projects *(a) If an essential project requires any other public agency action that is not expressly addressed by other provisions of this chapter, the public agency shall make a final written decision based on compliance with existing laws. The final written decision on the other public agency action shall be completed as follows:*

(1) Where a public agency is a lead agency for an essential project, the public agency shall make the final decision concurrently with its certification of the environmental impact report, adoption of a negative declaration or mitigated negative declaration, or determination of previous evaluation or exemption from this division, as applicable.

(2) A state lead agency may delay the final decision required by paragraph (1) by up to 90 days if all of the following apply:

(A) Before December 31, 2025, the state agency had an established process set forth in statute or regulation for conducting evidentiary hearings on the type of public agency action being sought for the essential project.

(B) Before the deadline set forth in paragraph (1), the state agency provides written notice to the applicant that it will go forward with an evidentiary hearing.

(3) Where an applicant seeks an approval for an essential project from a public agency that was not a lead agency for that essential project during the first instance when the essential project underwent environmental review pursuant to this division, that public agency shall make a final written decision before the later of (A) 90 days from the date the application for the public agency action was determined or deemed to be complete pursuant to Section 21017, or deemed complete pursuant to any other law, whichever occurs first, or (B) one day has passed from the date the lead agency approved the project.

(b) When a public agency fails to comply with a deadline set forth in subdivision (a), the applicant may make a written request for the public agency to hold a meeting or hearing on the other public agency action sought from the public agency.

(c) Within 45 days of receipt of a written request pursuant to subdivision (b), the public agency shall do all of the following:

(1) Hold a meeting or hearing on the essential project application as follows:

(A) If the public agency has a multimember decisionmaking body subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code), the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), or similar open meeting law, the public agency shall place the other agency action sought from the public agency on its agenda for a regular or special meeting of the agency's highest-ranking decisionmaking body.

(B) If the public agency does not have a multimember decisionmaking body subject to the Bagley-Keene Open Meeting Act, the Ralph M. Brown Act, or similar open meeting law, the highest-ranking official of the public agency, or their designee, shall hold a hearing with the applicant on the other public agency action sought by the applicant.

(2) Notwithstanding any other provision of this division or any other law, at the meeting or hearing described in paragraph (1), the public agency shall make a final written decision to grant or deny the other public agency action sought by the applicant.

(d) The deadlines set forth in subdivisions (a) and (c) shall only be extended upon a written request made by the applicant.

(e) Except as provided in subdivision (f), a public agency has a nondiscretionary ministerial duty to comply with the deadlines set forth in this section or in any written request pursuant to subdivision (d) and make the decision described in paragraph (2) of subdivision (c).

(f) If, before the expiration of the 45-day period provided in subdivision (c), the public agency makes a final written determination to grant the other public agency action sought for the essential project, the public agency and the applicant may mutually agree in writing to cancel the meeting or hearing required by paragraph (1) of subdivision (c).

(g) (1) An applicant may bring an action under this division challenging both of the following:

(A) The agency's failure to comply with its nondiscretionary ministerial duties described in subdivision (e).

(B) The agency's denial or imposition of unlawful conditions of approval on the other public agency action sought from the public agency.

(2) The action shall be commenced within 90 days of the agency's failure, denial, or imposition described in paragraph (1).

Article 5. Preliminary Scoping Process and Streamlined Alternatives Analysis for Essential Projects

21024. Preliminary Scoping Process for Essential Projects

(a) An applicant may, but is not required to, utilize the preliminary scoping process and streamlined alternatives analysis as provided in this article. However, where an applicant voluntarily chooses to utilize this preliminary scoping process and streamlined alternatives analysis, it shall comply with this article.

(b) (1) Before submitting an application for an essential project, an applicant that chooses to proceed in accordance with this article shall provide written notice to the lead agency of its intent to complete the scoping process and streamlined alternatives analysis set forth in this article.

(2) The written notice shall present a preliminary overview and description of the proposed essential project sufficient to inform the lead agency and the public of the anticipated features of the project. The written notice is not required to include detailed

engineering plans, technical studies, or design-level drawings. The description shall include, to the extent known, the following:

(A) The project's location, size, and boundaries.

(B) The principal components and fundamental purpose of the project.

(C) The general type of land use, facility, or infrastructure proposed.

(D) Any known or reasonably foreseeable resource areas that may be impacted.

(E) Any anticipated permits or approvals required from public agencies.

(3) The written notice shall also prominently identify an email address for the applicant where the lead agency and the public may submit comments on the proposed essential project.

(c) (1) After receipt by the lead agency of the written notice described in subdivision (b), the applicant and the lead agency shall engage in at least two meetings for the purpose of discussing the proposed essential project, potential alternatives, and identifying potentially impacted resource areas.

(2) The lead agency shall maintain a record of all meeting summaries.

(d) (1) The lead agency shall post the written notice received pursuant to subdivision (b) on its internet website. The posting shall prominently identify the email address described in paragraph (3) of subdivision (b) in order to facilitate the public's ability to submit comments to the applicant via email.

(2) The applicant shall maintain a record summarizing public input received via email during the preliminary scoping phase.

(3) The applicant shall not be required to respond to any input obtained pursuant to this section.

(e) An applicant may, but shall not be required to, convene one or more public meetings or workshops, including via virtual or online formats, for the purpose of obtaining additional public input on the proposed essential project.

(f) The preliminary scoping process described in this section shall be completed within not more than 60 days from the date that the lead agency received written notice pursuant to subdivision (b).

(g) Where an applicant does not elect to utilize the scoping process provided in this section, other scoping requirements set forth in this division shall continue to apply.

(h) Notwithstanding any provision of this section, with respect to an essential housing project, the preliminary scoping process provided pursuant to this section shall not be a prerequisite to filing a preliminary application pursuant to the Housing Crisis Act of 2019 as enacted by Chapter 654 of the Statutes of 2019 (Senate Bill 330).

21025. Streamlined Alternatives Analysis for Essential Projects

(a) Upon completion of the preliminary scoping process set forth in Section 21024, the applicant shall develop one proposed alternative to the essential project. The proposed alternative shall take into consideration input obtained pursuant to Section 21024, and shall comply with all of the following:

(1) The proposed alternative shall be compatible with the proposed essential project's fundamental purpose as described pursuant to Section 21024.

(2) To the extent practicable, the proposed alternative shall be designed to be compatible with applicable local zoning and land use policies.

(3) The proposed alternative does not need to be located at a different site from the proposed essential project.

(b) Notwithstanding Section 21100 or any other provision of this division, and except as provided in subdivision (f), an environmental impact report prepared for an essential project that complies with this article shall only analyze the following:

(1) The proposed essential project.

(2) (A) The applicant's proposed alternative developed pursuant to this article.

(B) For purposes of satisfying this article, the applicant's proposed alternative may include an alternative or additional component of the proposed essential project, where the additional or alternative component may include onsite or offsite physical improvements, or alternative or additional operational parameters or programs, designed to lessen impacts.

(C) A proposed alternative developed pursuant to this article shall be presumed to lessen impacts that the alternative is intended to address to a level of insignificance as long as the applicant demonstrates that substantial evidence exists to support the presumption. However, the presumption shall have no bearing or effect on whether the alternative is ultimately feasible or environmentally preferred.

(3) The no project alternative. The no project alternative shall consider the reasonably foreseeable environmental conditions that would result if the essential project is not approved, including reasonably foreseeable future alternative uses of the site proposed for the essential project, any environmental impacts from those alternative uses, and benefits resulting from the essential project.

(c) The alternatives described in subdivision (b) for an essential project are sufficient for all purposes under this division, and any other law. Except as provided in subdivision (f), all additional alternatives beyond those described in subdivision (b) are unnecessary, and no public agency or other body or entity shall require analysis of unnecessary alternatives.

(d) Within 15 days after the close of the preliminary scoping process in Section 21024, the applicant shall

transmit to the lead agency a written submittal that includes:

(1) A description of the proposed essential project.

(2) A description of the single proposed alternative developed pursuant to this article.

(3) A description of the no project alternative described in paragraph (3) of subdivision (b).

(e) The lead agency shall, within 15 days after receiving the proposed alternative, issue a written certification stating whether the applicant has met the requirements of this article. Alternatively, the lead agency may certify that the applicant has met the requirements of this article by taking no affirmative action within 15 days after receiving the proposed alternative. The lead agency's certification shall be final unless an interested party files an administrative appeal within five days of the certification's issuance.

(f) Nothing in this article prohibits an applicant from proposing additional project alternatives, at the applicant's discretion.

(g) Subject to the requirements of this chapter and any limitations imposed by other provisions of law, the lead agency retains discretion to approve the proposed essential project, approve the proposed alternative developed pursuant to this article, or select the no project alternative.

(h) For purposes of this section, "proposed alternative" means a single potentially feasible alternative to the essential project that is developed by the applicant.

Article 6. Judicial Review of Essential Project Approvals or Authorizations

21026. Judicial Review of Essential Project Approvals or Authorizations

(a) (1) Any action or proceeding to attack, review, set aside, void, or annul any approval or authorization by a public agency with respect to an essential project, on the grounds of noncompliance with this division or the state CEQA Guidelines, shall be conducted and completed in accordance with the requirements of this article.

(2) This article shall apply to any and all actions or proceedings pending on, or commenced after, the effective date of this chapter.

(b) (1) In any action or proceeding brought to attack, review, set aside, void, or annul an approval or authorization of an essential project on the grounds of noncompliance with this division or the state CEQA Guidelines as provided in subdivision (b) of Section 21029, a petitioner's claims shall be limited to a public agency's noncompliance with objective existing laws, and the scope of the court's review shall be limited to whether the approval or authorization complies with objective existing laws.

(2) For the purpose of this subdivision, "objective" means involving no personal or subjective judgment and being uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the applicant and the public agency before the application was submitted.

(c) (1) In any action or proceeding to attack, review, set aside, void, or annul an approval or authorization of an essential project on the grounds of noncompliance with this division or the state CEQA Guidelines as provided in subdivision (b) of Section 21029, the court shall only determine whether the approval or authorization is supported by substantial evidence in light of the whole record.

(2) In any action or proceeding, to attack, review, set aside, void, or annul a public agency's approval or authorization of an essential project on the grounds that it has been made without completing the public participation procedures, the court shall only determine whether the failure to comply with the public participation procedures was arbitrary and capricious and resulted in prejudicial error.

(3) Nothing in this division or the state CEQA Guidelines shall be applied or construed as imposing procedural or substantive requirements beyond those explicitly set forth in this division or the state CEQA Guidelines as modified or limited by the provisions of this chapter.

(d) Nothing in this article shall be construed to supersede Sections 1756 and 1759 of the Public Utilities Code, or any other provision of law governing judicial review of orders or decisions of the Public Utilities Commission.

21027. Timelines and Processes Applicable to Judicial Review of Essential Project Approvals or Authorizations

(a) Timelines.

(1) (A) An action or proceeding, to attack, review, set aside, void, or annul a public agency's approval or authorization of an essential project shall be commenced within 30 days from the date the public agency files a notice of determination or notice of exemption pursuant to Section 21108 or 21152. The action or proceeding shall be completed within 270 days, inclusive of original and appellate court proceedings, pursuant to the judicial streamlining procedures applicable to environmental leadership development projects pursuant to Section 21185.

(B) The court may, in its own discretion, extend the 270-day deadline contained in subparagraph (A) by up to an additional 90 days.

(2) Notwithstanding any contrary provision in Section 21185 or any rule adopted by the Judicial Council, and except as provided in subparagraph (B) of paragraph (1), the 270-day deadline in paragraph (1) shall only be extended upon mutual written consent of the plaintiff or petitioner, the public agency, and the applicant.

(b) Administrative Record.

The whole administrative record consists only of notices, studies, and other documents consistent with both of the following:

(1) Documents required under this division to be sent or distributed to members of the public by the lead

agency, made available to the public at a public repository such as a library, or included on the internet website of the lead agency.

(2) With respect to public comments, comments described in subdivision (d) of Section 21021, and responses and comments described in subdivision (e) of Section 21021.

(c) Remedies.

(1) If the court finds, as a result of a trial, hearing, or remand from an appellate court, that a public agency's approval or authorization of an essential project is not supported by substantial evidence in the record, the court shall issue an order and peremptory writ of mandate explaining the deficiency with specificity as to which requirement of this division or the state CEQA Guidelines with which the approval or authorization does not comply, and identify what part, phase, or activity of an essential project was affected by the noncompliance.

(2) The remedy shall be limited only to prohibiting commencement of the noncomplying part, phase, or activity until the noncompliance is corrected.

(3) When those required corrective actions have been completed, the public agency shall file a return to the writ affirming compliance, and the court shall thereafter dismiss the action or proceeding. A court may not order or direct via writ or any other form of order, injunction, or decision that a public agency rescind its approval or authorization of the essential project.

(4) Any essential project part, phase, or activity not within the scope of the deficiency identified in the writ shall not be subject to the writ, and is not subject to further challenge in an action or proceeding under this division.

(d) Subsequent Approvals or Authorizations.

(1) No further action or proceeding to challenge the implementation through completion of construction or subsequent approval or authorization of an essential project, or portion of an essential project, may be filed if the public agency's approval or authorization was not subject to a judicial challenge, the public agency approval or authorization was challenged and upheld, or the public agency has filed a return to the writ that has been accepted as satisfactory by the court pursuant to subdivision (c).

(2) Minor modifications to an essential project that do not result in any new significant impacts, or that do not substantially worsen any previously identified significant impacts, of the initially approved essential project, may not be challenged in an action or proceeding under this division.

(e) Injunctive Relief.

(1) Upon a showing by clear and convincing evidence that an essential project would have a specific, adverse impact upon public safety, and there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact upon public safety, a court may order that construction or completion of the particular essential project component that would result in the specific, adverse impact upon public safety be halted or prohibited solely by issuing a temporary injunction.

(2) For purposes of paragraph (1), satisfactory mitigation to avoid the specific, adverse impact upon public safety shall be deemed to exist upon either of the following:

(A) A public agency's subsequent decision to modify the essential project to avoid or mitigate to a less than significant level that specific, adverse public safety impact and that decision shall not require the agency to take any further action under this division.

(B) A public agency's determination that the specific, adverse impact upon public safety cannot be avoided or mitigated to a less than significant level following preparation of an environmental impact report or supplemental environmental impact report addressing only that specific, adverse public safety impact pursuant to the timelines and procedures set forth in this chapter.

Article 7. Definitions

21028. Definitions

For purposes of this chapter, the following definitions apply:

(a) "Applicant" means a person, legal entity, public agency, or public utility that proposes an essential project.

(b) "Approval or authorization" means any approval, authorization, determination, finding, financing, real property transaction or contract, or other public agency actions that further the advancement, construction, completion, or realization of an essential project.

(c) "California educational institution" means all of the following: a school district; a county superintendent of schools; a county board of education; a community college district; a state special school; the Board of Governors of the California Community Colleges or the Chancellor of the California Community Colleges; the California State University or the Board of Trustees of the California State University; the University of California or the Regents of the University of California; the University of California Law San Francisco, formerly Hastings College of the Law; a charter school established pursuant to the Charter Schools Act of 1992 (Part 26.8 (commencing with Section 47600) of Division 4 of Title 2 of the Education Code); and a nonprofit college or university with membership in the Association of Independent California Colleges and Universities.

(d) "CEQA" means the California Environmental Quality Act (Division 13 (commencing with Section 21000)).

(e) (1) "Consulting tribe" means a tribe that appears on the most recent list published by the United States pursuant to the Federally Recognized Indian Tribe List Act of 1994 (25 U.S.C. Sec. 5131), and is traditionally and culturally affiliated with the geographic area of the proposed essential project.

(2) Notwithstanding Section 21073 or any other law, "California Native American tribe" as used in, or with respect to, Sections 21074, 21080.3.1, 21080.3.2, 21082.3, 21084.2, 21084.3, and this chapter, shall instead mean, and be read as, "consulting tribe" when the project is an essential project.

(f) "Day" means both of the following:

(1) As used in Sections 21018 and 21019, "day" means any day other than a Saturday, Sunday, or any day designated as a state holiday.

(2) As used in any section of this chapter except for Sections 21018 and 21019, "day" means a calendar day.

(g) "Educational facility" means any real property, facility, structure, building, or fixture that is owned or operated, or will be owned or operated upon completion, by one or more California educational institutions for educational purposes.

(h) "Environmental review document" or "environmental review documentation" means initial studies; negative declarations; mitigated negative declarations; draft and final environmental impact reports; documents prepared as substitutes for environmental impact reports; negative declaration and mitigated negative declarations pursuant to a program certified pursuant to Section 21080.5; documents or documentation used to substantiate the applicability of statutory or categorial exemptions from this division or streamlining provisions that include, without limitation, those pursuant to Sections 21083.3 and 21094.5; addenda and other supplemental or subsequent review documents; documents prepared under the National Environmental Policy Act of 1969 (42 U.S.C. Sec. 4321 et seq.) and used by a public agency in the place of any of the foregoing documents or documentation; and environmental documents as defined in Section 15361 of Title 14 of the California Code of Regulations.

(i) (1) "Essential broadband internet access project" means a project to provide massmarket retail service by wire service, wireless service, or radio to customers in this state that provides the capability to transmit data to, and receive data from, all or substantially all internet endpoints, including, but not limited to, any capabilities that are incidental to and enable the operation of the communications service, excluding dial-up internet access service.

(2) An "essential broadband internet access project" shall comply with all labor requirements described in Section 21183.5.

(j) (1) "Essential clean energy project" means a project that supports California's climate, energy efficiency, reliability, electrification, sustainability, or clean energy objectives through one or more of the following:

(A) (i) Producing, generating, or storing electricity derived from renewable or sustainable resources, including, but not limited to, solar, wind, geothermal, fuel cells that comply with the emissions standards adopted by the State Air Resources Board pursuant to the distributed generation certification program requirements of Section 94203 of Title 17 of the California Code of Regulations, small hydroelectric generation of 30 megawatts or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave, ocean thermal, or tidal current, and associated transmission lines.

(ii) For purposes of this section, "associated transmission lines" means a transmission line that is required for the interconnection or delivery of electricity from a facility described in clause (i).

(iii) Notwithstanding clause (i), this subparagraph excludes producing or generating electricity from nuclear power.

(B) Producing, generating, storing, transmitting, or distributing clean hydrogen that is not derived from a fossil fuel feedstock.

(C) Developing, constructing, or installing microgrids and associated infrastructure. For purposes of this subparagraph, "microgrid" means a microgrid as defined in subdivision (d) of Section 8370 of the Public Utilities Code.

(D) Capturing, transporting, or storing carbon dioxide emissions for permanent isolation from sources, including, but not limited to, energy production, manufacturing, or refining facilities.

(E) Developing, constructing, upgrading, or expanding transmission or distribution system components identified in a transmission planning process approved by the Independent System Operator or in an integrated energy policy report adopted pursuant to Section 25302, including financing of those facilities, assets, or components through sale, lease, assignment, mortgage, or other disposition or encumbrance requiring state agency approval.

(2) An "essential clean energy project" shall comply with all labor requirements described in Section 21183.5.

(k) (1) "Essential education facility project" means the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of an educational facility.

(2) An essential education facility project shall comply with all labor requirements described in Section 21183.5.

(l) "Essential housing project" means all of the following:

(1) Residential units only.

(2) A mixed-use development.

(3) Transitional housing, emergency shelters, or supportive housing, as defined in Section 65582 of the Government Code.

(4) Farmworker housing, as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code.

(5) Group living accommodations, meaning buildings or portion of any buildings designed for or accommodating a residential use by persons not living together as a household, typically without separate

kitchens or bathroom facilities for each room or unit. This use includes, without limitation, convents, monasteries, and other types of organizational housing.

(6) Student housing units. For purposes of this paragraph, "student housing units" means any residential units or group living accommodation intended for use by students, including, without limitation, dormitory-style student housing and suite-style student housing.

(7) (A) Senior housing units. For purposes of this paragraph, "senior housing units" means any residential units or group living accommodation of any size intended for occupation by persons 55 years of age or over, including, without limitation, the following: (i) an intergenerational housing development; (ii) senior congregate housing; (iii) a senior citizen housing development as defined in paragraph (4) of subdivision (b) of Section 51.3 of the Civil Code; (iv) a residential care facility for the elderly as defined in paragraph (1) of subdivision (o) of Section 1569.2 of the Health and Safety Code; and (v) a continuing care retirement community as defined in paragraph (10) of subdivision (c) of Section 1771 of the Health and Safety Code.

(B) This paragraph shall not be construed to limit the authority of a public agency to categorize senior housing land uses as nonresidential under its zoning ordinances or other laws, except that senior housing units shall qualify as a "housing development project" pursuant to paragraph (2) of subdivision (h) of Section 65589.5 of the Government Code.

(8) A subdivision or common interest development, as defined in Section 4100 of the Civil Code, consisting of residential units or unimproved residential lots.

(9) A conversion of an existing commercial building to residential use.

(m) "Essential project" means a project that meets all of the following requirements:

(1) (A) The project is an essential housing project, essential water project, essential clean energy project, essential public health project, essential public safety project, essential broadband internet access project, essential education facility project, or essential transportation project.

(B) An essential project includes all related and ancillary public, private, and utility infrastructure and public service facilities required by a utility or public agency, or included in an essential project application as part of the whole of the project, to serve a project identified in subparagraph (A), including electric, telecommunication, gas, water, wastewater, stormwater, transit, police, fire, and transportation improvements that provide required public and utility services and infrastructure to the project. When a particular labor standard is applied to an essential project by other provisions of this chapter, that labor standard shall apply to the components of the essential project described in this subparagraph.

(2) The project does not include a jail or other detention facility, or involve the development of a new oil or natural gas production facility.

(n) (1) "Essential public health project" means a medical treatment facility.

(2) An "essential public health project" shall comply with all labor requirements described in Section 21183.5.

(o) (1) "Essential public safety project" means a first responder facility or a wildfire risk reduction project.

(2) (A) An "essential public safety project" shall comply with all labor requirements described in Section 21183.5.

(B) A wildfire risk reduction project limited to vegetation management, fuel reduction, creating or maintaining fuel breaks, or reducing fuel loading that is undertaken directly by a public agency using its own employees shall be deemed to comply with this paragraph if the public agency's employees working on the project are covered by a collective bargaining agreement or other state civil service laws that provide equivalent wage, training, and safety standards.

(p) (1) "Essential transportation project" means both of the following:

(A) A project described in subdivision (a) or (b) of Section 2 of Article XIX of the California Constitution.

(B) Electric vehicle charging and refueling infrastructure.

(2) An "essential transportation project" shall comply with all labor requirements described in Section 21183.5.

(3) An "essential transportation project" does not include a high-speed train, a high-speed train system, a corridor, or a usable segment, as those terms are defined in Section 2704.01 of the Streets and Highways Code, or any other component of the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Chapter 20 (commencing with Section 2704) of Division 3 of the Streets and Highways Code).

(q) (1) "Essential water project" means any project or action to construct, expand, repair, replace, improve, or augment any of the following: (A) a "public water system" as defined by subdivision (h) of Section 116275 of the Health and Safety Code; (B) a system that directly or indirectly provides water to a public water system; or (C) a system that is generally described and within the scope of the state's Water Resilience Portfolio.

(2) An "essential water project" shall comply with all labor requirements described in Section 21183.5.

(3) "An essential water project" does not include Delta conveyance facilities as defined in subdivision (f) of Section 79702 of the Water Code.

(r) "Existing laws" means the following:

(1) Formally adopted legal requirements contained in statutes, regulations, rules, standards, or ordinances that existed and were in effect on the date an

application for an essential project was submitted to a public agency.

(2) (A) A formally adopted legal requirement contained in a statute, regulation, ordinance, standard, or rule that was not in effect on the date an application for an essential project was submitted to a public agency, but the lead agency makes a finding that that compliance with the particular statute, regulation, ordinance, standard, or rule is necessary to mitigate or avoid a specific, adverse life-safety impact, meaning a significant, quantifiable, direct, and unavoidable life-safety impact, including life-safety impacts associated with new or emerging technologies, materials, or grid-integration systems, and that is based on objective, identified and written public safety standards, policies, or conditions. The lead agency shall notify the applicant within 72 hours of making a finding described in this subparagraph.

(B) The finding described in subparagraph (A) is required to be made before (i) environmental review of the essential project pursuant to this chapter has been completed or (ii) the initial building permit application or plan-review package has been submitted to the authority having jurisdiction over the project, whichever occurs first.

(3) Any update to the California Building Standards Code, including, without limitation, the California Fire Code that takes effect before (A) the environmental review of the essential project pursuant to this chapter has been completed or (B) the initial building permit application or plan-review package has been submitted to the authority having jurisdiction over the project, whichever occurs first.

(s) "Feasible" means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors.

(t) (1) "First responder facility" means all of the following:

(A) A fire station owned or operated by the State of California, a city, a county, a city and county, a joint powers authority, a consulting tribe, or a special district.

(B) A police station or sheriff's station owned or operated by a city, a county, a city and county, a joint powers authority, or a special district, excluding any portion used as a jail or other detention facility.

(2) "First responder facility" does not include either of the following:

(A) Any facility owned, operated, or leased by the United States government.

(B) Any facility used as an immigration detention facility or a state prison.

(u) "Lead agency" means a lead agency as defined in Section 21067.

(v) "Local agency" means a public entity that is not a "state agency" as defined in this article.

(w) "Medical office building" means a building whose primary function is to provide office space for health care practitioners licensed, certified, registered, or otherwise authorized to practice pursuant to Division 2 (commencing with Section 500) of the Business and Professions Code.

(x) "Medical treatment facility" means all of the following: (1) a health facility as defined in Section 1250 of the Health and Safety Code; (2) a clinic as defined in Section 1200 of the Health and Safety Code; and (3) a medical office building.

(y) (1) "Mixed-use development" means a development consisting of residential and nonresidential uses that meets any of the following conditions:

(A) At least two-thirds of the new or converted square footage is designated for residential use.

(B) At least 50 percent of the new or converted square footage is designated for residential use and the project meets both of the following:

(i) The project includes at least 500 net new residential units.

(ii) No portion of the project is designated for use as a hotel, motel, bed and breakfast inn, or other transient lodging, except a portion of the project may be designated for use as a residential hotel, as defined in Section 50519 of the Health and Safety Code.

(C) At least 50 percent of the net new or converted square footage is designated for residential use, and the project meets all of the following:

(i) The project includes at least 500 net new residential units.

(ii) The project involves the demolition or conversion of at least 100,000 square feet of nonresidential use to residential use.

(iii) The project demolishes at least 50 percent of the existing nonresidential uses on the site.

(iv) No portion of the project is designated for use as a hotel, motel, bed and breakfast inn, or other transient lodging, except a portion of the project may be designated for use as a residential hotel, as defined in Section 50519 of the Health and Safety Code.

(2) For purposes of this subdivision, nonresidential uses shall not include any heavy industrial, extractive, port, refinery, or hazardous materials uses or designations.

(3) The minimum distance required between any nonresidential uses included in a mixed-use development and any existing offsite residential use shall be determined by state law.

(z) "Public agency" means a public agency as defined in Section 15379 of Title 14 of the California Code of Regulations; a responsible agency; a local agency; a state agency; a lead agency; a local agency formation commission; a city; a county; a city and county; a special district; a joint powers authority; or any other governmental authority created under state or local law whether statewide, local, or regional in character.

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(aa) "Public participation procedures" means the public participation procedures set forth in Sections 21016, 21018, 21020, 21021, 21023, and 21024.

(ab) "Responsible Agency" means a responsible agency as defined in Section 15381 of Title 14 of the California Code of Regulations.

(ac) "State agency" means a state agency as defined in subdivision (a) of Section 8557 of the Government Code and any state body as defined in Section 11121 of the Government Code.

(ad) "State CEQA Guidelines" means Chapter 3 (commencing with Section 15000) of Division 6 of Title 14 of the California Code of Regulations.

(ae) "Substantial evidence" means enough relevant information and reasonable inferences from the available information that a fair argument can be made to support a conclusion, even though other conclusions might also be reached.

(af) "Tribal cultural resource" includes any of the following:

(1) A site, feature, place, cultural landscape, or sacred place, including a sanctified cemetery, Indian cemetery, or burial area of a consulting tribe, or an object with cultural value to a consulting tribe that is any of the following:

(A) Included or eligible for inclusion in the California Register of Historical Resources or the National Register of Historic Places.

(B) Included in a local register of historical resources as defined in Section 5020.1.

(C) Identified by the Native American Heritage Commission as a sacred place pursuant to Section 5097.94 or 5097.96.

(D) Included in a tribal government register maintained by a Tribal Historic Preservation Officer approved by the Secretary of the Interior pursuant to Section 101 of the federal National Historic Preservation Act (54 U.S.C. Sec. 300101 et seq.).

(2) A cultural landscape that meets the criteria of paragraph (1) to the extent that the landscape is geographically defined in terms of the size and scope of the landscape.

(3) A historical resource described in Section 21084.1, a unique archaeological resource as defined in subdivision (g) of Section 21083.2, or a "nonunique archaeological resource" as defined in subdivision (h) of Section 21083.2 that conforms with the criteria of paragraph (1).

(ag) "Wildfire risk reduction project" means an activity that reduces wildfire risks to a residential or commercial structure, or both. A "wildfire risk reduction project" includes, but is not limited to, the following: replacing, hardening, or undergrounding electric utility lines, roads, and infrastructure; vegetation management; fuel reduction; home hardening; creating or maintaining fuel breaks and access roads; and reducing fuel loading.

Article 8. Construction of Chapter and General Provisions

21029. Construction of Chapter

(a) It is the policy of the people of the State of California that this chapter be interpreted and implemented to afford the fullest possible weight to the interest of, and the approval and realization of, essential projects.

(b) (1) It is the intent of the people of the State of California that courts, consistent with generally accepted rules of statutory interpretation, not interpret this division or the state CEQA Guidelines in a manner that imposes procedural or substantive requirements upon essential projects beyond those explicitly stated in this division or the state CEQA Guidelines.

(2) It is further the intent of the people of the State of California that this subdivision be interpreted and applied by the courts as directed by Section 21083.1, and is in pari materia with Section 21083.1 so that, to the maximum extent permitted under the law, this subdivision constrains the authority of the courts to issue a judgment or impose a remedy that is not expressly authorized by this chapter.

21030. Statewide Concern

The people of the State of California hereby declare that streamlining review and approval of essential projects as provided in this chapter is a matter of statewide concern because the adequacy, availability, and affordability of housing, clean energy, water, transportation, broadband internet, education facilities, public health infrastructure, and public safety infrastructure is insufficient to serve the needs of California's population and economy. Therefore, the State of California hereby occupies the field in the area of review and approval of essential projects as provided in this chapter.

21031. Statutory References

(a) Except as provided in subdivision (b), all references to state statutes or regulations codified outside of this chapter refer to those statutes and regulations as they existed on December 31, 2025, regardless of any subsequent amendment, repeal, sunset, or expiration that takes place after that date.

(b) The reference to Section 218.9 of the Labor Code refers to that section as it existed on January 1, 2026.

21032. Severability

The provisions of this chapter are severable. If any portion, section, subdivision, paragraph, subparagraph, clause, subclause, sentence, phrase, word, or application of this chapter is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this chapter. The people of the State of California hereby declare that they would have adopted this chapter and each and every portion, section, subdivision, paragraph, subparagraph, clause, subclause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to *whether any component of this chapter or application thereof would be subsequently declared invalid.*

21033. Effective Date

This chapter shall take effect as provided in subdivision (a) of Section 10 of Article II of the California Constitution, and shall be applicable upon that effective date to all pending and future public agency and judicial review and processes for all essential projects.

21034. Amendments

The Legislature may amend this chapter by a statute passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, provided that the statute is consistent with, and furthers the purposes of, this chapter. No bill seeking to amend this chapter may be passed or become a statute unless the bill has been printed and distributed to the Members of the Legislature, and published on the internet, in its final form, for at least 12 business days before its passage in either house of the Legislature.

SEC. 2. Conflicting Measures.

In the event that this initiative measure and another measure or measures pertaining to the review or approval of essential projects, as defined in this act, shall appear on the same statewide election ballot, the other measure or measures shall be deemed to be in conflict with this measure. In the event that this initiative measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other measure or measures shall be null and void.

SEC. 3. Liberal Construction.

This act shall be liberally construed to give effect to its intent and purposes.

SEC. 4. Legal Defense.

The purpose of this section is to ensure that the people's precious right of initiative cannot be improperly annulled by state politicians who refuse to defend the will of the voters. Therefore, if this act is approved by the voters of the State of California and thereafter subjected to a legal challenge that attempts to limit the scope or application of this act in any way, or alleges this act violates any state or federal law in whole or in part, and both the Governor and Attorney General refuse to defend this act to the fullest extent possible on behalf of the State of California, then the following actions shall be taken:

(a) Notwithstanding anything to the contrary contained in Chapter 6 (commencing with Section 12500) of Part 2 of Division 3 of Title 2 of the Government Code or any other law, the Attorney General shall appoint independent counsel to faithfully and vigorously defend this act to the fullest extent possible on behalf of the State of California.

(b) Before appointing or substituting independent counsel, the Attorney General shall exercise due diligence in determining the qualifications of independent counsel and shall obtain written affirmation from independent counsel that independent counsel will faithfully and vigorously defend this act to the fullest extent possible. The written affirmation shall be made publicly available immediately upon request.

(c) In order to support the defense of this act in instances where the Governor and Attorney General fail to do so despite the will of the voters, a continuous appropriation is hereby made from the General Fund to the Controller, without regard to fiscal years, in an amount necessary to cover the costs of retaining independent counsel to faithfully and vigorously defend this act on behalf of the State of California to the fullest extent possible.