

TEXT OF PROPOSITION 41

**SUBJECT TO COURT
ORDERED CHANGES**

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.

PROPOSED LAW

[Printer: No bold throughout.]

SECTION
[Roman]

Section 1. Title. - Roman

This Act shall be known and may be cited as the Improving Transparency, Effectiveness, and Efficiency in California Government Act of 2026.

SEC.
[Roman]

Section 2. Findings and Declarations. - Roman

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 non-partisan 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. Section 3. *Statement of Purpose.* Roman

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.

Section 4. Article XXIV is added to the California Constitution, to read: } Roman

ARTICLE XXIV

PROTECTING TAXPAYER DOLLARS

SECTION 1.

Pre-Election Audits for Special Tax Initiatives

[Move sentence up one line after SECTION 1.]

(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 pre-election financial and performance audit of each of the program(s) that would receive moneys from the special tax.

(b) A pre-election financial and performance audit shall, at a minimum, address all of the following matters:

(1) Whether the program is currently acquiring resources such as 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 non-government sector.

(10) Recommendations on how the program could achieve a budgetary savings of at least 10% annually.

10 percent

[Printer: All text on this page in italic.]

(c) In preparing a preselection financial and performance audit required by this section, the California State Auditor shall invite input from the Legislative Analyst's Office ("LAO"), (LAO), and may rely on information contained in LAO reports, analyses, and recommendations.

the
office's

(d) The California State Auditor shall include an executive summary in the preselection financial and performance audit that summarizes all of the findings and recommendations on the matters described in subdivision (b).

(e)(1) Copies of the preselection 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 preselection 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 preselection 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 preselection financial and performance audit, as determined by the Controller.

(Large and
small caps)

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.

[Printer: All text on this page in italic.]

(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 LAO reports, analyses, and recommendations.

the Office's California (2) The 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.

[Large and small caps] 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.

[Large and small caps] 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.

(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.

italic

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.

Section 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.

Section 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. [Roman] **Section 7. Effective Date.** Roman

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. [Roman] **Section 8. Liberal Construction.** Roman

This ~~Act~~ shall be liberally construed to give effect to its intent and purposes.

SEC. [Roman] **Section 9. Legal Defense.** Roman

that 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 which 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.