



January 27, 2026

Hon. Rob Bonta  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Anabel Renteria  
Initiative Coordinator

Dear Attorney General Bonta:

Pursuant to Election Code Section 9005, we have reviewed the proposed initiative regarding the applicability of tax increases to the state's constitutional requirements (A.G. File No. 25-0038, Amendment #1).

## BACKGROUND

***State Finances Organized Into General Fund and Many Other Funds.*** The state budget is made up of many different funds. The General Fund is the state's main operating account and pays for most public services including education, health care, and prisons. The state budget also has other funds, many known as special funds. Special funds receive dedicated revenues that must be spent on specific purposes, like on maintaining highways or for mental health services.

***Most State Revenues Are Taxes.*** Taxes are a type of revenue that can be used to support any public purpose. Nearly all of the General Fund's revenues are taxes. Some funds, like special funds, are also funded with taxes. Most others are funded with other types of charges, largely fees. Fees are charges to provide specific services or products. For example, drivers pay driver's license fees, and that money is used for state oversight of drivers and vehicles.

***Either Legislature or Voters Can Raise Taxes.*** Either the Legislature or voters can raise taxes and fees. The Legislature can raise fees with a simple majority vote but can only pass tax increases with a two-thirds vote. Voters can raise either taxes or fees with a simple majority.

***State Must Spend a Share of General Fund Tax Revenues on Schools and Community Colleges.*** Under the State Constitution, the state has a minimum funding requirement for schools and community colleges. This minimum is based, in part, on General Fund taxes. If the Legislature or voters raise new taxes, and deposit their proceeds into the General Fund, a share

must be spent on schools and community colleges. By contrast, the Legislature or voters can raise taxes and deposit them into a special fund without triggering this requirement.

## PROPOSAL

### ***Requires Any Tax Increase to Also Increase Spending on Schools and Community Colleges.***

**Colleges.** The measure requires all tax revenues raised, including those deposited into a special fund, to be counted toward the state's minimum funding requirement for schools and community colleges. The Legislature could no longer raise taxes, but deposit those into a special fund, without providing some of the additional revenue to schools and community colleges. In contrast, voters could raise taxes and deposit those into funds such that they are excluded from these requirements, but only by amending the Constitution. Propositions that change the Constitution require collecting more signatures to place them on the ballot than those that change other laws.

## FISCAL EFFECTS

***Possible Increased Spending on Schools and Community Colleges.*** A share of all taxes raised, including those deposited into special funds, would need to be spent on schools and community colleges. Depending on decisions by the Legislature and voters, this could result in more spending on schools and community colleges.

***Summary of Fiscal Effects.*** We estimate that the measure would have the following fiscal effects:

- Possible increase in spending on schools and community colleges, depending on decisions by the Legislature and voters.

Sincerely,

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for Gabriel Petek  
Legislative Analyst

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for Joe Stephenshaw  
Director of Finance