



January 27, 2026

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

Attention: Ms. Anabel Renteria
Initiative Coordinator

Dear Attorney General Bonta:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative regarding special taxes (A.G. File No. 25-0040, Amendment #1).

BACKGROUND

Special Tax. Taxes are a type of revenue that can be used to support any public purpose. Some state taxes are unrestricted, meaning that revenues raised by these taxes can be used to fund any program. In contrast, a special tax is a tax levied on a specific good (for example, tobacco or fuel) or activity (for example, waste disposal or energy use) to raise revenue for a specific state program. Taxes can be raised by the Legislature, by a two-thirds vote, or by voters with a majority vote.

California State Auditor's Office (State Auditor). The State Auditor is an independent and nonpartisan office in state government that evaluates state and local governments' financial and operational activities. The State Auditor's work includes financial and policy evaluations (also known as performance audits) where the auditor assesses the extent to which a governmental entity efficiently and effectively carries out requirements in law. As part of its audit, the State Auditor may present recommendations for the entity to improve its operations. Some of the State Auditor's audits are recurring to ensure ongoing compliance with the law while others are one time in nature.

PROPOSAL

One-Time Audits Before Special Taxes Appear on Ballot Through Initiative Process. The measure would require the State Auditor to conduct a financial and performance audit of

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proposed citizen initiatives that contain a special tax once proponents notify the Secretary of State that 25 percent of the necessary voter signatures to qualify the initiative for the ballot have been collected. The measure would require these audits to (1) evaluate each program that would receive funding from the special tax contained in the proposed initiative and (2) address specific issues identified by the measure including assessing the efficiency of the program and recommending how the audited program could reduce its annual costs by 10 percent. The measure also would require the State Auditor to produce an executive summary of the audit. If the initiative qualifies for the ballot, the measure would require this executive summary to be included in the *Voter Information Guide (VIG)* produced by the Secretary of State. If approved by the voters, the measure would require the State Auditor to be reimbursed from the revenues generated by the special tax.

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

FISCAL EFFECTS

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

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

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

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

- **Unknown Fiscal Effect.** Net costs or savings resulting from the measure would depend on (1) how many special tax initiatives qualify for a one-time audit but are not approved by voters, (2) the number of pages that are added to the *Voter Information Guide* each election cycle, and (3) the level of savings that are identified and implemented as a result of the audits.

Sincerely,

for Gabriel Petek
Legislative Analyst

for Joe Stephenshaw
Director of Finance