

CALIFORNIA PROP 41

Restricts New Special Taxes by Requiring Audits and Performance Reviews and Denying Exemption from State Spending Cap

Purpose

Proposition 41 is a citizen initiated measure that would require the California State Auditor to review programs to be funded by proposed special taxes and publish its financial and performance audit before California residents vote on these tax proposals. The State Auditor would also be required to periodically review programs funded by special taxes created or raised after January 1, 2026 in order to improve program efficiency. Finally, Prop. 41 would prevent revenues raised by new state taxes from being exempted from the Gann Limit on state spending approved by voters in 1979.¹

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Background

In 1979, Californians passed Proposition 4, also known as the Gann Limit, which capped spending at 1978-79 levels, adjusted each year for inflation and population growth. If state and local governments collect more tax revenue than they are allowed to spend for two consecutive years, they must split the excess between taxpayer rebates and additional spending on schools.² Prop. 41's drafters charge that special interests have "repeatedly passed new taxes that exempted themselves" from the Gann Limit.

Proposal

Proposition 41 has three key provisions:

First, it would require that when a "special tax" — one that would raise funds for a specific purpose or program rather than for general government operations — is proposed as a ballot initiative and achieves 25% of the necessary signatures, the California State Auditor would conduct a pre-election audit of any programs to be funded by the tax. The results of the audit would appear in the Official Voter Guide for the election. The audit would address the following:

- Whether the program is currently acquiring its resources at the lowest cost for the necessary quality;
- Whether the program is maximizing output for every dollar spent;
- Whether the program is achieving its intended goals and outcomes;
- Whether the program is following the relevant laws, regulations, and internal policies;
- Whether there is "actual and potential fraud, waste, and abuse" in a program and how adequate its internal prevention systems are;
- Whether the program has identified its "biggest threats" and has a plan to mitigate them;
- Whether the program is using adequate and reliable data;
- Whether the program has adequate oversight and accountability;
- Whether the program's costs compare favorably to similar non-governmental programs; and
- How the program could cut its costs by at least 10%.

These findings must be sent to the governor, the legislature, and the secretary of state and be made available to the public. If the special tax initiative qualifies for the ballot, an executive summary must be printed in every Voter Information Guide (VIG) prior to the election.

Second, for all special taxes enacted by the legislature or by a ballot initiative on or after January 1, 2026, the California State Auditor must conduct ongoing financial and performance audits every four years for each of the programs that receive revenue from these taxes. With the assistance of the California Legislative Analyst's Office (LAO) — as well as public input on the State Auditor's measurements of effectiveness — the State Auditor must provide:

- The same assessments required of the pre-election financial and performance audit; and
- Further recommendations on how a program can improve its effectiveness, cut costs, or otherwise reduce taxpayer burden.

Third, the Proposition would require that all revenues raised by state taxes that take effect on or after January 1, 2026, be subject to the state spending limit, also known as the Gann Limit. It would prohibit the state from imposing, collecting, or enforcing any state tax that claims an exemption from the Gann Limit. This provision would directly contradict Proposition 40, which exempts appropriations funded by the “2026 Billionaire Tax Reserve Fund” from the Gann Limit.³

Prop. 41 expressly states that if it receives more votes than a conflicting measure on the same ballot, even if that other measure receives a majority, the conflicting measure would not become law.

Fiscal Impact

The California Legislative Analyst's Office (LAO) expects Proposition 41 to have a number of fiscal effects.⁴

The LAO predicts that Prop. 41 would increase State Auditor costs. These costs would depend on the number of new or increased special taxes the State Auditor must review as well as the complexity of the programs being reviewed on a recurring basis. The LAO estimates that this would likely be in the range of the low millions of dollars annually, but would increase over time.

The LAO also expects that the State Auditor's summarized reviews, which must appear in every Voter Information Guide (VIG) if a special tax is proposed through a ballot initiative, could add several pages to the VIG, increasing printing and mailing costs by a few hundred thousand dollars per ballot initiative.

Pre-election and ongoing audits of special taxes and their associated programs would be paid for by the revenues collected by the special taxes. Pre-election audit costs for special taxes that do not qualify for the ballot or are rejected by voters would be paid for by the state's General Fund.

Altogether, the net fiscal impact remains unknown. The LAO suggests that Prop. 41 could result in “possible savings” or “improved services” based on the recommendations of the State Auditor. These savings, however, cannot be predicted in advance.

SUPPORT FOR PROPOSITION 41

Supporters of Proposition 41 Include:⁵

- California Chamber of Commerce⁶
- California Taxpayers Association
- California Society of Certified Public Accountants
- California Republican Party
- Tom Hayes, former Auditor General of California
- Steve Westly, former California State Controller
- Sergey Brin, co-founder of Google and founder of Building a Better California⁷
- Reform California⁸
- Building a Better California (top sponsor of the “Yes on 41” Committee)⁹

The proponents’ official website is <https://www.yesonprop41.org/>.

As of September 19, 2026, proponents had raised \$92,294,500 to promote Prop 41. Google co-founder Sergey Brin has contributed \$102 million this year to Building a Better California, which is the chief sponsor of “Yes on 41 - Californians for a More Transparent and Effective Government.”¹⁰

Arguments for Proposition 41¹¹

Supporters of Proposition 41 argue that:

- California’s state government will spend more than \$350 billion this year, a 79% increase from 2019, and outcomes in education, health care, and infrastructure have barely improved.
- The legislature and “special interests” continue to propose new taxes for new programs without monitoring their spending and thoroughly reviewing the efficacy of existing programs.
- Independent performance audits give voters “objective, credible information” on proposed taxes and the programs they would support.
- Though the Gann Limit on state spending was democratically approved by voters, it has been consistently undercut by exemptions.

A YES VOTE ON PROPOSITION 41

A YES vote on Proposition 41 would require the California State Auditor to conduct pre-election and ongoing performance and financial audits of programs funded by special taxes. It would also prevent exemption of new special taxes from the state spending limit, thus directly competing with — and likely overriding — Proposition 40.

OPPOSITION TO PROPOSITION 41

Opponents of Proposition 41 Include:

- California Democratic Party¹²
- Service Employees International Union-United Healthcare Workers West (SEIU-UHW)¹³

As of September 19, 2026, opponents had raised \$340,225 against Prop. 41.¹⁴

Arguments Against Proposition 41¹⁵

Opponents of Proposition 41 argue that:

- Proposition 41 was put on the ballot in the name of tax oversight and transparency, but its primary purpose is to undo Prop. 40’s “billionaire tax.”
- Billionaires, some of them Donald Trump’s donors, have poured millions of dollars into Propositions 41 and 42 to void Prop. 40.
- By potentially voiding Prop. 40, Prop. 41 would cost the state much-needed revenue.

A NO VOTE ON PROPOSITION 41

A NO vote on Proposition 41 would not introduce any new performance and financial audits of programs funded by special taxes and would not change current state spending limit requirements.

Endnotes

- 1 The text of the proposition is at California Secretary of State, *Official Voter Information Guide, General Election, November 3, 2026*, pp. 147-150, <https://vig.cdnsos.ca.gov/2026/general/pdf/complete-vig.pdf>.
- 2 Ann Hollingshead, "The 2022-23 California Spending Plan: The State Appropriations Limit," California Legislative Analyst's Office (LAO), September 30, 2022, <https://lao.ca.gov/Publications/Report/4631>.
- 3 Ballotpedia, "California Proposition 40, One-Time Wealth Tax for State-Funded Healthcare, Education, and Food Assistance Programs Initiative (2026)," accessed August 15, 2026, [https://ballotpedia.org/California_Proposition_40_One-Time_Wealth_Tax_for_State-Funded_Healthcare_Education_and_Food_Assistance_Programs_Initiative_\(2026\)](https://ballotpedia.org/California_Proposition_40_One-Time_Wealth_Tax_for_State-Funded_Healthcare_Education_and_Food_Assistance_Programs_Initiative_(2026)).
- 4 California Legislative Analyst's Office (LAO), Propositions on the November 3, 2026 Ballot, "Proposition 41," <https://lao.ca.gov/BallotAnalysis/Proposition?number=41&year=2026>.
- 5 CA Secretary of State, *Official Voter Information Guide*, "Proposition 41," pp. 60-61.
- 6 Yes on 41 - Californians for Transparency and Accountability, "Endorsements," accessed August 15, 2026, <https://www.yesonprop41.org/endorsements>.
- 7 Queenie Wong, "Google's Sergey Brin Spent \$102 Million Fighting California Wealth Tax," *Los Angeles Times*, August 12, 2026, <https://www.latimes.com/business/story/2026-08-12/googles-sergey-brin-spent-102-million-fighting-california-wealth-tax>.
- 8 Reform California, "Stop CA Tax Hikes - 2026," accessed August 15, 2026, <https://www.reformcalifornia.org/campaigns/stop-the-tax-hikes>.
- 9 Yes on 41, "Endorsements," accessed Aug. 15, 2026.
- 10 Ballotpedia, "California Proposition 41, Prohibit Excluding New State Taxes from Spending Limit and Require Special Tax Audits Initiative (2026)," accessed October 2, 2026, [https://ballotpedia.org/California_Proposition_41_Prohibit_Excluding_New_State_Taxes_from_Spending_Limit_and_Require_Special_Tax_Audits_Initiative_\(2026\)](https://ballotpedia.org/California_Proposition_41_Prohibit_Excluding_New_State_Taxes_from_Spending_Limit_and_Require_Special_Tax_Audits_Initiative_(2026)); Wong, "Sergey Brin," *Los Angeles Times*.
- 11 CA Secretary of State, *Official Voter Information Guide*, "Proposition 41," pp. 60-61.
- 12 California Democratic Party, "2026 General Election Endorsements & Ballot Measure Positions," August 2, 2026, <https://cadem.org/wp-content/uploads/2026/08/FINAL-2026-General-Election-Endorsements.pdf>.
- 13 CA Secretary of State, *Official Voter Information Guide*, "Proposition 41," pp. 60-61.
- 14 Ballotpedia, "Proposition 41."
- 15 CA Secretary of State, *Official Voter Information Guide*, "Proposition 41," pp. 60-61.

