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

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Attention: Ms. Anabel Renteria
Initiative Coordinator

Dear Attorney General Bonta:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative regarding elections and the initiative process (A.G. File No. 26-0001).

Background

Citizen Initiatives. The State Constitution allows voters to propose laws and amendments to the Constitution through the citizen initiative process. Before an initiative can go to a statewide vote, supporters of citizen initiatives must collect a specified number of signatures to qualify the proposal for the ballot. Qualified citizen initiatives appear on statewide general election ballots. Statewide general elections are held in November of even-numbered years several months after the June statewide primary election.

Proposal

Change Citizen Initiative Process. This measure would make a number of changes to the initiative process. These changes would increase both the number of elections in the state overall and the number of elections in which citizen initiatives may appear. Specifically, these changes include (1) modifying the initiative qualification process (for example, reducing the number of signatures required to qualify a citizen initiative for the ballot), (2) allowing qualified citizen initiatives to appear on the statewide primary ballot, and (3) establishing a new statewide election in April of odd-numbered years when qualified citizen initiatives could appear on the ballot.

Establish New Special Tax on Income Exceeding \$10 Million. The measure would establish an annual 5 percent surcharge on taxable income that exceeds \$10 million. The measure specifies how revenues generated from this tax would be used. Specifically, the measure would require that first, \$40 million of the revenue collected be transferred to the General Fund each year.

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Next, the remaining revenues would be used for (1) the increased state and county costs associated with administering statewide primary and April elections for citizen initiatives and (2) to compensate certain state and county government employees above their current levels of compensation if they perform certain work related to the citizen initiative process.

Fiscal Effects

Proposed Tax Would Generate State Revenues Each Year... We estimate that an income tax surcharge of 5 percent on income above \$10 million would raise several billion dollars each year for the specific purposes outlined in the measure.

...And Would Spend This Revenue to Support the Requirements of the Measure. Of this new revenue each year, (1) \$40 million would be transferred to the state General Fund; (2) of the remaining amount, hundreds of millions of dollars would pay for county and state elections administration costs; and (3) all of the remaining billions of dollars would be used to supplement compensation earned by specified state and local government employees for their work related to the citizen initiative process.

Likely Decrease in State General Fund Revenue. The measure's new tax could have many effects on the state's economy. For example, some share of the between 4,000 and 9,000 taxpayers with annual incomes above \$10 million likely would try to reduce the amount of their income in California to avoid paying more taxes. To the extent this occurs, it would reduce existing state General Fund revenues from the income tax by a few billion dollars each year.

Summary of Major Fiscal Effects. The measure would have the following major fiscal effects:

- Increased state revenue of several billions of dollars each year to pay for increased state and local elections activities and costs.
- Likely ongoing reduction in state General Fund revenues each year of a few billion dollars from changes in behavior of people with annual income exceeding \$10 million in response to taxes levied by the measure for elections.

Sincerely,



for Gabriel Petek
Legislative Analyst



for Joe Stephenshaw
Director of Finance