THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Information

- **Board of Directors**
  Legislation and Communications Committee

9/15/2026 Board Meeting

9-2

Subject

Overview of Proposition 43: Assembly Constitutional Amendment Number 22 on Local Taxes: Limitation

Executive Summary

Proposition 43 is a constitutional amendment placed on the November 2026 ballot by the California State Legislature that will increase the threshold for approval of special taxes initiated by voter initiative. (**Attachment 1**)

If approved by the voters, the threshold for passage for voter-led local tax initiatives will increase from a majority vote of the electorate to a two-thirds vote beginning on January 1, 2027.

Fiscal Impact

None

Applicable Policy

Not applicable

Related Board Action(s)/Future Action(s)

By Minute Item 53784, dated September 10, 2024, Metropolitan expressed support for Proposition 4, the Safe Drinking Water, Wildlife Prevention, Drought Preparedness, and Clean Air Bond Act of 2024.

Details and Background

Background

The California Constitution currently determines the voter threshold for the passage of taxes by local governments and special districts. These minimum vote requirements were put in place through voter-approved ballot initiatives, Proposition 13 (1978) and Proposition 218 (1996). Along with capping the property tax rate at 1 percent of a home's assessed value, Proposition 13 required that property taxes levied by local governments must be approved by two-thirds of voters. Proposition 218, which sought to address the use of fees and assessments to generate revenue for local governments, also required special taxes—taxes imposed for a specific governmental purpose—to pass by a two-thirds vote of the electorate.

In 2017, the California Supreme Court ruled in *California Cannabis Coalition v. City of Upland* that the constitutionally required two-thirds voting threshold for local governments seeking to raise revenue through special taxes pursuant to Article XIIC does not apply to special taxes imposed by a voter-led initiative. This decision was confirmed again when the Court declined to review multiple appellate court decisions that involved challenges to post-*Upland,* voter-led tax initiatives that passed by a majority vote.

In response, the taxpayer advocacy group Howard Jarvis Taxpayers Association (HJTA) sought to undo the effects of *Upland* and close what it deemed as a court-created loophole to Propositions 13 and 218, by qualifying the "Local Taxpayer Protection Act to Save Proposition 13" as a 2026 statewide ballot initiative. In response to an earlier version of this ballot initiative, the state Legislature had passed Assembly Constitutional Amendment (ACA) 13 (Ward, 2024) which placed a ballot measure on the November 2026 election that would make it more difficult for the HJTA initiative to pass. If approved by voters, ACA 13 would have required all initiative constitutional amendments to comply with the same increased voter approval threshold that the initiative was seeking to impose on future ballot measures—meaning the HJTA initiative would also have had to pass by a two-thirds vote.

In light of these dueling measures on the November 2026 ballot, the Democratic majority in the state Legislature sought to negotiate a compromise with HJTA. The resulting agreement was reached on June 25, 2026, and resulted in HJTA pulling its initiative from the ballot along with the Legislature withdrawing ACA 13, and instead passing ACA 22 (Wicks, 2026), which is now on the November ballot as Proposition 43.

Key Provisions

This measure proposes a constitutional amendment to require a two-thirds vote for all special taxes when proposed by the electorate through voter initiative. The two-thirds vote restriction already applies to special taxes adopted by local governments. However, the California Supreme Court had previously held electorate-led initiatives were not subject to the constitutional provisions because they were not "local governments." This measure, if passed, would change that lower vote requirement.

Impacts to Metropolitan

Metropolitan is currently required to meet a two-thirds vote threshold for the adoption of any new special tax it proposes, as it is bound by the relevant current law for local governments authorized under Article XIIIC of the California Constitution. As previously discussed, the primary focus of this constitutional change is to require a two-thirds vote for special taxes when proposed by the electorate through a voter initiative.

Future Voter-led Initiatives

While Metropolitan has not yet benefited from a voter-led initiative to raise special taxes, some of its member agencies have. Recent voter-led tax initiatives that passed via a majority vote, like Measure ULA (2022), which provides millions in funding for homeless and housing programs for the City of Los Angeles, would not have passed if the two-thirds vote requirement was in effect at the time of its passage. If Proposition 43 passes, both Metropolitan and its member agencies would not be able to benefit from the current lower threshold for voter-led initiatives that seek to raise revenue for critical services, making passage significantly more difficult.

A voter-led initiative that could adequately meet Metropolitan's needs would be challenging, given restrictions on coordination with citizen-led initiatives. A pathway where Metropolitan can legitimately control the provisions of the referendum would be for Metropolitan to place a measure on the ballot itself, necessitating the two-thirds vote.

Support Arguments for Proposition 43

Proposition 43 is sponsored by the "Yes on Prop 43: The Local Taxpayer Protection Act" coalition, which is headed by HJTA and other taxpayer advocacy groups. Supporters of Proposition 43 argue that the amendments to the Constitution are necessary to restore the intent of existing taxpayer protections passed by California voters and subsequently weakened by recent court decisions. Supporters also contend that Californians are already burdened with a high cost of living and the highest tax rates in the country, and that Proposition 43 will empower voters to prevent more taxes from being placed on them at the local level. The coalition of supporters also argues that Proposition 43 will help keep housing costs down in California by making it harder to pass new local taxes on the sale or transfer of real estate.

Proponents of Proposition 43(partial list):

- Howard Jarvis Taxpayers Association
- California Taxpayers Association
- Family Business Association of California
- California Hispanic Chambers of Commerce

Opposition Arguments for Proposition 43

Opposition to Proposition 43 is being led by the "No on Prop 43: Stop the Local Taxpayer Deception Act" coalition, which is headed by some of the state's major organized labor unions. Opponents argue that Proposition 43 would remove the voice of the majority in local communities by allowing just one-third of voters to block an initiative that a majority of voters may support. The opposition coalition also argues that an increased voter threshold will undercut a community's ability to fund critical community services provided by local governments like police and fire service, which will impact response times and staffing numbers and put communities at greater risk. Finally, opponents argue that Proposition 43 will hinder local governments' ability to invest in communities through road and infrastructure repair, and funding neighborhood parks, schools, and affordable housing projects that are funded by voter-initiated special taxes.

Opponents of Proposition 43(partial list):

- California Professional Firefighters
- SEIU California
- California Federation of Teachers
- California School Employees Association

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Attachment 1 –Text of Proposition 43 (2026) in Voter Information Guide

Ref# ea12713845

(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.

PROPOSITION 43

This amendment proposed by Assembly Constitutional Amendment 22 of the 2025–2026 Regular Session (Resolution Chapter 132, Statutes of 2026) expressly amends the California Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XIII A

That Section 4.5 is added to Article XIII A thereof, to read:

SEC. 4.5. (a) Beginning on January 1, 2027, and notwithstanding Article II and Article XI, no local government, including the electorate of a local government exercising the initiative power, may impose, extend, or increase any special tax, except as provided in Section 4 of this article, subdivision (d) of Section 2 of Article XIII C, and paragraph (2) of subdivision (a) of Section 3 of Article XIII D, unless and until that tax is submitted to the electorate and approved by a two-thirds vote.

(b) Notwithstanding Article II and Article XI, no local government, including the electorate of a local government exercising the initiative power, may impose ad valorem taxes on real property, except as provided in paragraph (1) of subdivision (a) of Section 3 of Article XIII D.

(c) "Local government" and "special tax" shall have the same meaning as provided in Section 1 of Article XIII C.

PROPOSITION 44

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 Corporations Code, Government Code, and the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title.

This measure shall be known and may be cited as the "Clinic Funding Accountability and Transparency Act."

SEC. 2. Findings and Declarations.

The people of the State of California find and declare all of the following:

(a) Federally Qualified Health Centers (FQHCs) are a form of community clinic that are fundamental to the California health care safety net, as their mission is to provide primary and preventive care to low-income and underserved populations.

(b) Most FQHCs in the state are operated by nonprofit organizations governed by a board whose responsibility is to ensure that the clinic meets its missions as a safety-net health care provider and nonprofit public benefit corporation subject to state and federal tax exemptions.

(c) Clinic boards have significant responsibility and exercise a great deal of authority in decisions on both organization design and compensation, including that of the Chief Executive Officer and other executives.

(d) Though existing state law requires nonprofit boards of directors to review and approve Chief Executive Officer and Chief Financial Officer compensation to ensure that it is just and reasonable, many clinics pay excessive shares of their revenue towards executive compensation, resulting in underinvestment in core patient services.

(e) Since 2018, all nonprofits, including clinics, have been required to report the dollar amount of their mission-related, i.e., "program," expenses, as well as "management and administrative" expenses to the IRS annually. Many clinics in California incur management and administrative expenses that are much higher than average—sometimes 30 to 40 percent of total revenue—while others spend less than 10 percent.

(f) Many clinics are highly profitable, sometimes reporting annual surpluses of as much as 20 percent of total revenue, rather than spending the funds in a manner consistent with their charitable mission.

(g) Worker training, recruitment, and retention are problems for California clinics. Clinic workers report chronic understaffing, high workloads, and staffing turnover, as well as long wait times for patients.

(h) It is the intent of this initiative to create a reasonable minimum standard of mission-directed spending as a proportion of total revenue to ensure clinic patient service delivery and workforce stability is prioritized over management and overhead spending.

SEC. 3. Reporting Requirement.

SEC. 3.1. Section 12586.3 is added to the Government Code, to read:

12586.3. (a) For purposes of this section, the following definitions apply:

(1) "Clinic" means any clinic corporation, as defined at paragraph (3) of subdivision (b) of Section 1200 of the Health and Safety Code, that is a federally qualified health center (FQHC) as that term is defined in Section 1396d of Title 42 of the United States Code. For purposes of this paragraph, FQHCs include organizations that do not receive an FQHC award, but are designated by the federal Health Resources and