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Public Education Revenue Task Force

August 20, 2026

Agenda

Welcome and Recap

Informational Briefings

Discussion

Next Steps

Public Comment

Welcome

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Recap: Task Force Goals

- On May 12, 2026, the LAUSD Board of Education unanimously passed "Public Schools Over Private Loopholes: Working Together for the Revenue Our Students Deserve," a resolution calling for urgent state-level action to strengthen public education funding.

- This resolution directs the creation of a Public Education Revenue Task Force to identify and advance strategies for increased public education revenue in California.

- Task Force meetings will include discussion of revenue-generation proposals and coalition-building ideas, with the aim of collaborating on joint advocacy activities for legislation and state budget proposals as well as establishing a shared set of advocacy priorities related to state funding that can be communicated with the new Governor before the end of this year.

Task Force Members

- **Maria Nichols**, President, Associated Administrators of Los Angeles/Teamsters Local 2010
- **Letetsia Fox**, Senior Financial Manager/Chapter President, California School Employees Association Chapter 500
- **Eddie Alvarez**, Council Representative, L.A./Orange Counties Building & Construction Trades Council
- **Jen Baca-Beltran**, Government Relations Director, SEIU Local 99
- **Adriana Salazar Avila**, President, Teamsters Local Union 572
- **Jennifer Albright**, Teacher, Taper Avenue Elementary, United Teachers Los Angeles
- **Michael Nailat**, Director of Budget Analysis, Catalyst California
- **Mayra Lara**, Greater Los Angeles Region Director, EdTrust-West
- **Yolie Flores**, President & CEO, Families in Schools
- **Ana Ponce**, CEO, Great Public Schools Now (GPSN)
- **Victoria Ruan**, Rockdale VAPA Magnet PTA President, 10th District Parent Teacher Student Association (PTSA)
- **Pedro Salcido**, Deputy Superintendent, Business Services and Operations, Los Angeles Unified School District

2026 State Legislation

- **AB 1204 (Alvarez)** – Proposes changes to the Local Control Funding Formula to increase funding for districts, including establishing a regional COLA and new LCFF funding targets.
  - **Status:** Held in suspense.

- **AB 1790 (Connolly)** – Increases funding for public schools by closing the Water's Edge tax loophole used by multinational corporations.
  - **Status:** Alive.

- **SB 1349 (Gonzalez)** - Directs the Legislative Analyst's Office to evaluate the costs and benefits of existing major state tax expenditures.
  - **Status:** Alive. Passed out of suspense file.

- **AB 2526 (Muratsuchi)** - Adds students who qualify for the California Alternative Assessment as eligible recipients of funding for the low-incidence disability SELPA funding plan.
  - **Status:** Alive. Passed out of suspense file.

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Reminder:
Revenue-Generation Proposals

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Path to Enactment

Legislation

- LAUSD can advocate

Ballot Initiatives

- LAUSD can inform only

Education-Specific Policy Ideas

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Proposal	Path to Enactment
LCFF reform	Legislation
Enrollment-based funding	Legislation
Parcel tax threshold	Legislative bill first, then a ballot measure
Equalization formulas	Legislation

Statewide Taxation Policy Ideas

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Proposal	Path to Enactment
Water's Edge tax loophole	Legislation
Tax credit accountability	Legislation
R&D tax credit limit	Legislation
Limitations on net operating loss (NOL) deductions	Legislation
Replace some tax deductions with a credit	Legislation
Income tax increase for millionaires	Legislation or ballot measure
Estate or inheritance taxes	Legislation or ballot measure
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Split roll property tax	Ballot measure
Statewide commercial property tax rate	Ballot measure
Pied-à-terre tax	Ballot measure

Informational Briefings

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Tax Policy in California

Options, considerations, and the 2026 ballot.

Chris Hoene, Executive Director

Kayla Kitson, Senior Policy Fellow

August 20, 2026

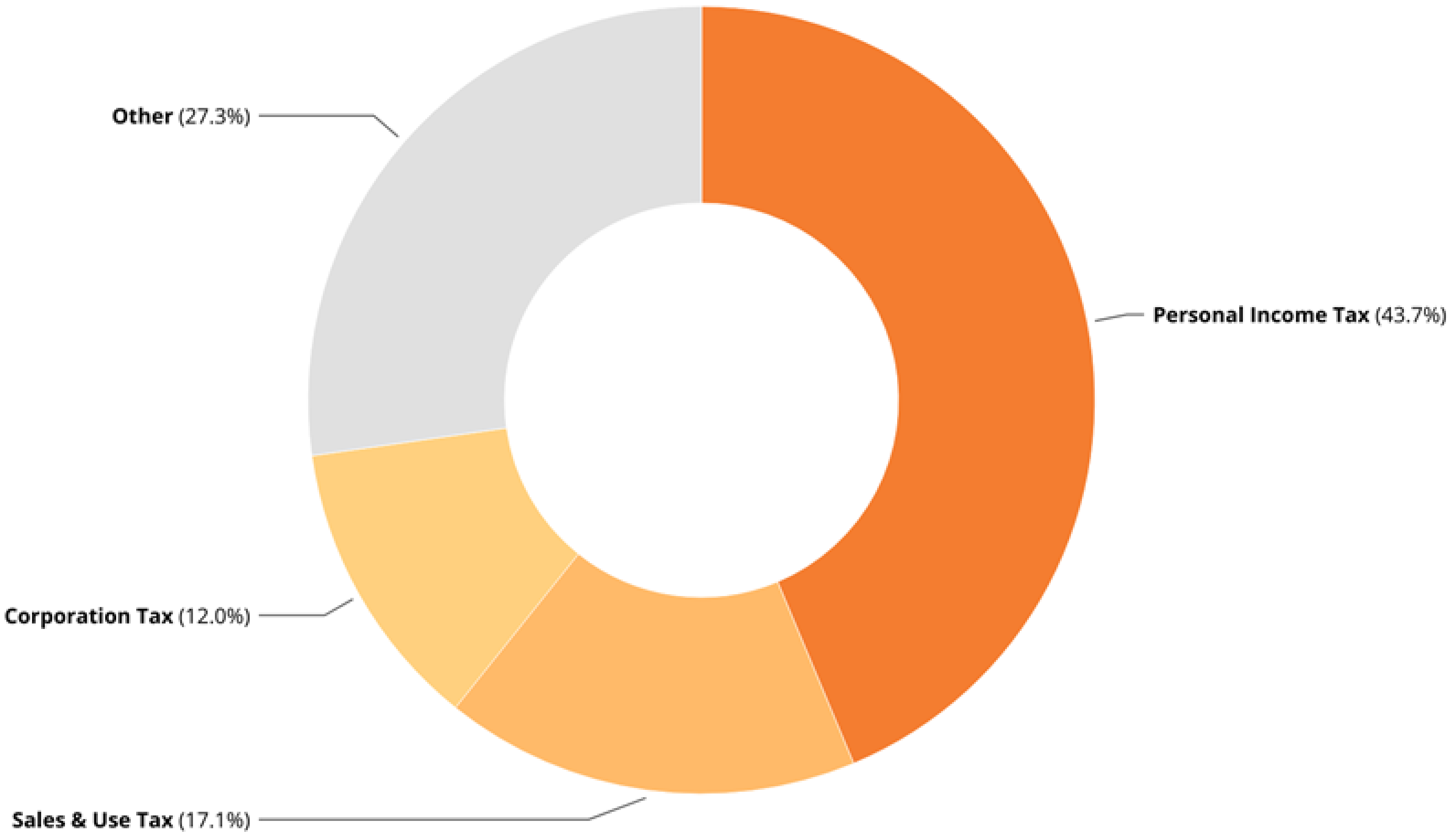
California Budget & Policy Center

How are taxes organized in California?

Taxed at State Level Only	Taxed at State and Local Levels	Taxed at Local Level Only	Not Taxed
Personal Income	Sales and use of goods	Property	Wealth (Net Worth)
Corporate Income	Cannabis	Hotel stays	Estates or inheritances
Fuel		Utility Services	Sales of services
Alcohol, tobacco		Business Licenses	

Most State Revenue Comes from the Personal Income Tax, the Sales & Use Tax, and the Corporation Tax

Estimated General Fund and Special Fund Revenue as of the Enacted 2025-26 State Budget (June 2025) = $296.7 Billion



Note: "Other" reflects loans and transfers — excluding transfers to/from the Budget Stabilization Account (the state's constitutional rainy day fund) — as well as a broad range of additional revenue sources, including taxes, fees, and fines. Figures do not sum to 100 due to rounding.

Source: Department of Finance

California Budget & Policy Center

Two Routes to Raise State Tax Revenues

Vote Threshold Depends on Route

1. **Legislative route:**
    - **Any tax increase must be approved with a two-thirds vote in the Senate and Assembly**
2. **Ballot route:**
    - **A ballot proposition raising taxes must be approved by a simple majority of voters**

Constitutional Constraints

Note: A constitutional amendment can write its own rules — including carving revenue out of existing formulas. A legislative statute cannot: new revenue stays subject to the constraints below.

Prop. 98 (1988)

Around 40% of new General Fund revenue is constitutionally guaranteed to K-14 — a legislative-path mechanism may not be able to bypass this set-aside.

Prop. 2 (2014)

At least 1.5% of General Fund revenue goes to reserves/debt paydown with "excess capital gains revenues" also required to be set aside. Capital-gains-heavy revenue mechanisms will see a larger share diverted to Prop. 2.

Gann Limit (1979)

CA has around $30B of room under the Gann Limit for 2026–27 — none of these proposals would breach it under normal conditions, though revenue conditions in future could push the state closer to/over the limit.

Revenue Options

Local: Property and Property-Related Tax Options

- **"Split roll":**
  - **Reform Prop. 13 to tax commercial property at market value instead of current assessed value ($18-24 billion)****
  - **Alternative flat statewide commercial property tax rate. ($9 billion for each 0.5% increment)****

- **"Pied-à-terre tax:" Tax high-income residential property not used as primary residence. ("potentially billions" statewide; would likely encounter litigation)****

- **Parcel taxes: Lower voter approval threshold to 55%.****

***Legislation or Ballot Measure **Ballot Measure**

State: Income Tax and Sales Tax Options

- Prop. 3 (2026): Permanent extension of top tax rates for high-income Californians. ($10-15 billion)**
- Additional "millionaires tax:" Additional 1% tax on income over $1 million (raising rate from 13.3% to 14.3%). ($1-3 billion)*
- "Revenue recapture:" Require high-income earners to pay at the highest tax rate on all their income. ("billions")*
- Sales tax on services: extend the sales tax to services, such as digital products and various other services. (depending on structure, could be anywhere from a few billion to $60 billion)*

***Legislation or Ballot Measure **Ballot Measure**

State: Wealth Tax Options

- **Prop. 40 (2026): One-time 5% tax on the net assets of billionaires dedicated to health, food assistance, and education. ("tens of billions")****

- **Reinstate estate or inheritance taxes:" Currently prohibited by Prop. 6 (1982). ($1-3 billion)****

- **Eliminate "stepped up basis:" Taxing the proceeds of sales of inherited assets based on increase in value over its original purchase price. (initially low hundreds of millions, perhaps growing to as much as $5 billion)****

- **Other: Such as a tax on unrealized capital gains. ("billions")***

***Legislation or Ballot Measure   **Ballot Measure**

Income ≠ Wealth

Wealth	Income
Value of assets owned minus debts owed. **Examples:** • Bank account balances • Stock shares • Real estate	Money received over a period of time. **Examples:** • Wages or salary • Retirement benefits • Investment income (derived from wealth), such as dividends, capital gains, and rents

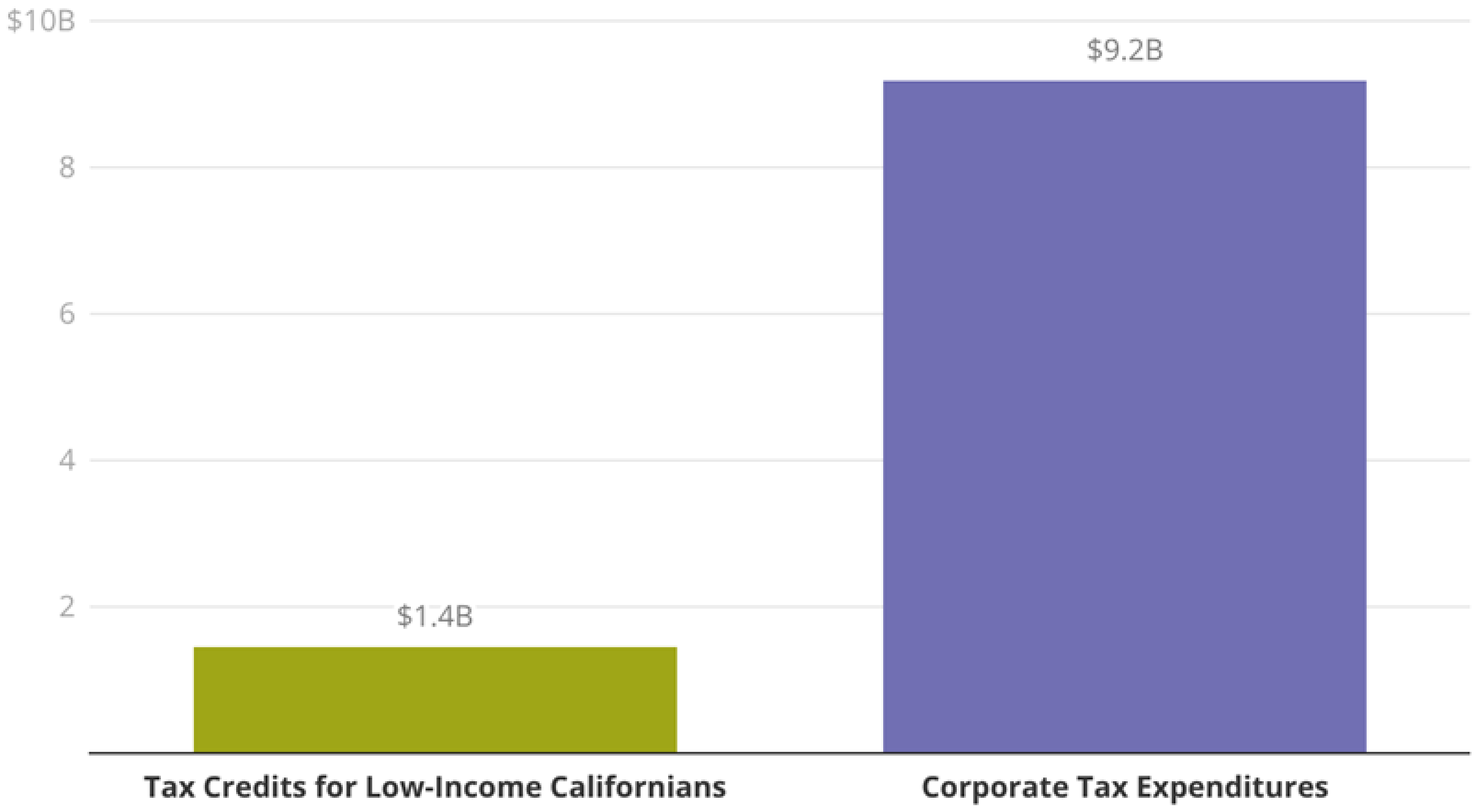
State: Corporation Tax & Reforming Tax Breaks

- **Reduce or eliminate corporate tax breaks:**
  - **Water's Edge Election:** **Multinational corporation offshoring of profits. ($1-3 billion)***
  - **Research and Development (R&D) Credit:** **Reform to ensure it's better targeted. ("hundreds of millions;" up to $3.5 billion if eliminated, which is unlikely)***
  - **Net Operating Losses (NOLs):** **Permanently limit ability of medium and large companies to offset future tax liability. ("hundreds of millions;" up to $2 billion if eliminated, which is unlikely)***
- **Graduated Corporation Tax:** **2023 proposal to increase top rate from 8.84% to 10.99%. ($6 billion)***
- **Other:**
  - **Require periodic review and sunset of tax breaks.***
  - **Replace some tax deductions with credits available to all taxpayers. ($1-3 billion)***

***Legislation or Ballot Measure **Ballot Measure**

California Spends Six Times More on Corporate Tax Breaks than Tax Credits for Low Income Families

Estimated Cost of Tax Expenditures in Fiscal Year 2026-27, in Billions



Note: Tax credits for low-income Californians include the CalEITC, Young Child Tax Credit, and the Foster Youth Tax Credit.

Source: Budget Center analysis of Department of Finance Data

California Budget & Policy Center

Taxes and the November 2026 Ballot

- **Raising Taxes and Revenues**
  - **Prop. 3:** Permanent extension of **top tax rates** for high-income Californians. **($10-15 billion)**
  - **Prop. 40:** One-time 5% tax on the net assets of billionaires dedicated to health, food assistance, and education. **("tens of billions")**
  - **Prop. 2:** Reforms the state's primary rainy day fund to allow for growing a larger reserve, particularly from capital gains revenues.
- **Anti-Tax Measures Seeking to Block Future Revenues**
  - **Prop. 41:** Requires the State Auditor to conduct audits of programs that would receive revenue from new or higher special taxes and prohibits taxes enacted since 1/1/26 from being excluded from the Gann Limit. **Attempt to block Prop. 40.**
  - **Prop. 42:** Prohibits the imposition of any new tax on the ownership of financial assets, retirement accounts, interests in businesses, intellectual property, and other personal property. Also prohibits the imposition of new retroactive taxes and taxes based on residency prior to the effective date of the new tax. **Blocks Prop. 40.**
  - **Prop. 43:** Requires a **⅔'s vote requirement** to enact local special taxes.

Want to better understand the state budget?

Explore our Budget Academy for tools and resources to help you master the budget process, better understand tax policy, and drive meaningful change!

SCAN TO LEARN MORE!

Thank you!

1107 9th Street, Suite 310
Sacramento, California 95814
916-444-0500

choene@calbudgetcenter.org
kkitson@calbudgetcenter.org

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Tristan Brown
Legislative Director

CFT A Union of Educators & Classified Professionals

Discussion

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Discussion Questions:

1. Does your organization already have a position on any of these proposals?

2. What ideas seem most promising to you?

3. What are the implementation or other considerations?

4. Are there any ideas we may not want to weigh in on through this taskforce?

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Statewide Taxation Policy Ideas

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Education-Specific Policy Ideas

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Equalization formulas	Legislation

Discussion Questions

1. Do you have any additional ideas?

2. What next steps could be taken to help move these ideas forward?

Next Steps

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Coalition-Building Ideas

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- Letter to new Governor
- Other joint advocacy letters
- Joint advocacy or informational briefings for legislators
- Joint meetings (lobby days in Sacramento or local meetings)
- School visit invitations

Tentative Next Meeting Dates

- Thursday, October 15, 2026, 2:00 PM-4:00 PM
- Thursday, December 3, 2026, 2:00 PM-4:00 PM

Questions or comments?

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Thank You!

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Appendix

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November 2026 Ballot Measures

November 2026 Ballot Measures

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Proposition 2 - ACA 20 (Gabriel) Save for California's Future Act.

This measure, put forward by Governor and legislative leaders, would allow the state to deposit up to 20% of its general fund tax revenue into its rainy day fund each year, instead of the current 10%, to protect against future economic downturns.

- **Supporters:** Governor Gavin Newsom and Democratic state lawmakers.
- **Opponents:** Republican state lawmakers.

Proposition 3 – Provides permanent funding for schools and healthcare by extending existing tax on high incomes.

This measure would make permanent the existing 2012 voter-approved tax rates for high-income Californians (Prop. 30, which was temporarily extended by Prop. 55 in 2016), currently set to expire in 2031. The measure would maintain $5-15 billion of annual state income taxes, with 89% of tax revenues allocated to K-12 schools and 11% allocated to community colleges.

- **Impact to LAUSD:** This measure would have a positive budgetary impact on LAUSD. Failure to pass this measure would reduce the Prop. 98 funding base.
- **Supporters:** California Teachers Association, California Federation of Teachers, and California School Employees Association.
- **Opponents:** California Taxpayers Association.

November 2026 Ballot Measures

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Proposition 40 - Imposes one-time tax on certain individuals and trusts. (aka "Billionaire Tax")

This measure would institute a one-time tax of up to 5% on taxpayers and trusts with covered assets valued over $1 billion. The measure exempts such tax revenues from the Prop. 98 minimum funding guarantee: 90% of the tax revenues would be allocated to health care, and up to 10% for food assistance or education-related programs. The Legislative Analyst's Office estimates the measure would create tens of billions of dollars in state revenues spread over several years, with likely ongoing decreases in state revenues of hundreds of millions of dollars or more per year.

- **Impact to LAUSD:** This measure may result in a reduced tax base for Prop. 98. It also could result in, but does not guarantee, funding increases to education-related programs.
- **Supporters:** California Democratic Party, Service Employees International Union–United Healthcare Workers West, independent U.S. Senator Bernie Sanders, California Democratic Socialists of America, UNITE HERE Local 11, Teamsters California, and AFSCME California.
- **Opponents:** Governor Gavin Newsom, the California Teachers Association, prominent billionaires including Google co-founder Sergey Brin and Ripple Labs co-founder Chris Larsen, State Building and Construction Trades Council of California, California Primary Care Association, California Medical Association, and Planned Parenthood Affiliates of California.

November 2026 Ballot Measures

Proposition 41 - Requires audits of programs funded by new state special taxes. Prohibits new state taxes that are excluded from existing voter-approved state spending limit.

This measure in response to the billionaire tax proposal would, for statewide special taxes, require (1) a pre-election audit of programs that would receive funding from a special tax proposed by voter initiative, and (2) recurring audits of programs funded by all special taxes enacted after January 1, 2026. The measure would also prohibit exempting special taxes from the Gann limit. The measure would overturn the Billionaire Tax if it receives more votes.

- **Impact to LAUSD:** This measure could have a negative budgetary impact on LAUSD by making it harder for voters to approve some new sources of state revenue.
- **Supporters:** Building a Better California, Reform California, and California Chamber of Commerce.
- **Opponents:** Proponents of the Billionaire Tax.

Proposition 42 - Prohibits new state personal property taxes and certain retroactive state taxes.

This measure in response to the billionaire tax proposal would prohibit new taxes on an individual's assets and holdings and prohibit some retroactive taxes. The measure will overturn the Billionaire Tax if it receives more votes.

- **Impact to LAUSD:** This measure could have a negative budgetary impact on LAUSD by making it harder for voters to approve some new sources of state revenue.
- **Supporters:** Building a Better California, Reform California, the State Building and Construction Trades Council of California, and California Chamber of Commerce.
- **Opponents:** Proponents of the Billionaire Tax.

November 2026 Ballot Measures

Proposition 43 - ACA 22 (Wicks) Local taxes: limitation.
This measure would increase the vote threshold needed to pass voter-proposed local special taxes from a simple majority (over 50%) to two-thirds (over 66.6%). The measure was put forward by the Governor and Legislature in exchange for the Howard Jarvis Taxpayers Association removing its ballot measure that would have made the threshold increase retroactive and would have capped real estate transfer taxes.

- **Impact to LAUSD:** This measure could have a negative budgetary impact to LAUSD as it would dramatically raise the threshold for voters to approve some new sources of funding, such as voter-proposed parcel taxes.
- **Supporters:** Howard Jarvis Taxpayers Association.
- **Opponents:** California Assemblymember Buffy Wicks (author of ACA 22).

Revenue-Generation Proposals

Education-Specific Policy Ideas

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Proposal	Explanation	Path to Enactment	Impact to Public Education Revenue
LCFF reform	Public Policy Institute of California estimates $7.5 billion in "excess" Prop. 98 funds by 2030 due to declining enrollment. Revisions to the Local Control Funding Formula (LCFF), such as establishing a regional COLA, could present a funding opportunity for LAUSD. Read more here.	Legislation	Restructure the pie
Enrollment-based funding	California schools are currently funded according to student attendance, while 45 other states are funded based on student enrollment. Switching to an enrollment-based system would increase K-12 funding by $6 billion annually; the largest increases would go to districts with more higher need pupils. Read more here.	Legislation	Restructure the pie
Parcel tax threshold	In California, parcel taxes must be passed by two-thirds of voters (unless they are citizen-initiated). Changing the state constitution to reduce the passage threshold for parcel taxes to 55% would make it easier for school districts to win passage of this revenue source. Read more here.	Legislative bill first, then a ballot initiative	Increase the pie
Equalization formulas	One option to address the funding disparity caused by local property tax revenue surpassing LCFF entitlements in basic aid school districts would be to employ equalization formulas that recapture property tax revenue from school districts that receive local property taxes in excess of their LCFF entitlements and redistribute it to school districts with less property wealth. Read more here.	Legislation	Increase the pie

Statewide Taxation Policy Ideas

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Path to Enactment: Ballot Measure*

Proposal	Description	Estimated State Revenue Raised
Split roll property tax	This option would increase the share of property tax revenues going toward schools by reforming Prop. 13 to tax commercial property on its market value instead of its assessed value. Note: Prop. 15 attempted this in 2020 and lost with 52% of voters opposed. Read more here.	$7-13 billion annually
Statewide commercial property tax rate	An alternative to the split roll property tax is establishing a flat, a statewide property tax rate on the taxable value of all commercial and industrial property. This could be paired with addressing provisions in the tax code that allow commercial and industrial properties to avoid reassessment even after change of ownership.	$9 billion for each 0.5% increment of property tax the state levies
Pied-à-terre tax	A pied-à-terre tax is a property tax on high-value homes not used as a primary residence. A new pied-à-terre tax on vacant luxury second homes in New York City is expected to raise $500 million annually. Read more here.	Potentially billions annually (if statewide)

**Due to Prop. 13's restrictions on property tax*

Statewide Taxation Policy Ideas

Path to Enactment: Legislation or Ballot Measure*

Proposal	Description	Estimated State Revenue Raised
Income tax increase for millionaires	This option creates an additional 1 percent surcharge on personal income over $1 million. This would increase the tax rate on this income from 13.3% to 14.3%.	$1-3 billion annually
Estate or inheritance taxes	California repealed its inheritance tax in 1982 and its estate tax in 2005. Sixteen states have either an inheritance or an estate tax, which typically include exemptions for properties below certain values. Read more here.	$1-3 billion annually
Eliminate stepped-up basis rule for taxation of inherited property	As an alternative to estate taxes, California could eliminate the income tax exemption for inherited assets. Currently, in state and federal tax code, the capital gain on a sold inherited asset is calculated by comparing the sale price of the asset to its value when the heir received it, instead of the original purchase price.	$1-3 billion annually

**Due to Prop. 13's two-thirds vote threshold for new taxes*

Statewide Taxation Policy Ideas

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Path to Enactment: Legislation or Ballot Measure*

Proposal	Description	Estimated State Revenue Raised
Graduated corporate income tax	California's corporate tax lacks graduated tax rates even though a small share of highly profitable corporations accounts for a majority of profits. 12 other states have established graduated tax rates that increase at specific income levels. In 2023, the Senate proposed increasing the state's 8.84% tax rate for some C corporations to 10.99%, which they estimated would raise approximately $6 billion annually. Read more here.	$6 billion annually
Revenue recapture for personal income tax	California's graduated-rate income tax system requires taxpayers to pay increasing tax rates only on the portion of their income that falls within each tax bracket. Tax benefit recapture requires high-income earners to pay at the highest tax rate on all their income above the tax bracket for which their income falls. New York and Connecticut use this system.	Potentially in the billions annually
Sales tax on services	California's sales tax generally does not apply to services. Options to extend the sales tax include digital products and various services primarily purchased by households, such as maintenance, entertainment, recreation, and/or transportation. Read more here and here.	$10-15 billion annually

**Due to Prop. 13's two-thirds vote threshold for new taxes*

Statewide Taxation Policy Ideas

Path to Enactment: Legislation

Proposal	Description	Estimated State Revenue Raised
Water's Edge tax loophole	The water's edge election allows multinational corporations with significant offshore profits to shift profits to foreign jurisdictions with low tax rates and avoid state taxes. AB 1790 was introduced this session to close the loophole. Read more here.	$1-4 billion annually
Tax credit accountability	The legislature could require periodic review of tax expenditures to assess whether they are achieving their objectives and establish sunset dates for those that are not.	Up to $9 billion annually
R&D tax credit limit	The Research and Development Tax Credit is by far the state's largest business tax credit, and its spending is highly concentrated among a relatively small number of large corporations. This credit could be reformed to receive more oversight and evaluation, limit annual credit claims, or make structural changes to how the program operates. Read more here.	Up to $3.5 billion
Limitations on net operating loss (NOL) deductions	An NOL occurs when a business experienced losses in prior years. Those losses can be used to reduce the company's taxable income in future years. Temporary suspensions of NOL deductions for medium and large businesses have been instituted in prior years due to budget shortfalls; these limits could be made permanent. Read more here and here.	$200 million - 2 billion annually
Replace some tax deductions with a credit	This option would replace an existing income tax deduction, for example charitable giving, with a smaller income tax credit for the same purpose. The credit would provide a smaller tax benefit but would be available to all taxpayers, not just those who itemize.	$1-3 billion annually