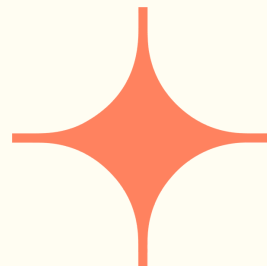


California's Affordability Policy Agenda

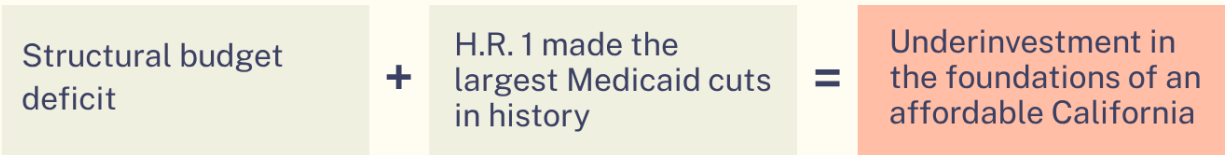


Economic
Security
CA Action



Corporate Tax Fairness to Fund a More Affordable California

Affordability is the defining issue in California today. The Golden State’s economy is among the largest in the world, but the gains of its prosperity bypass the millions of Californians who are responsible for its success. While wages stagnate, the cost of basics continues to climb: **food prices are up 30%** since 2019, electricity prices are **80% higher** than the national average, and **82% of California households** cannot afford to buy a median-priced home. The revenue required for shared prosperity should come from the corporations whose market power is driving the affordability crisis. California has the tools to make them pay for it. Closing corporate tax loopholes, holding large firms accountable as employers, and modernizing a tax structure that advantages multinationals over small businesses would generate billions in sustainable revenue and fund the investments Californians need.



WHAT'S BROKEN: CORPORATE TAX AVOIDANCE



Multinationals shift profits offshore

Large corporations artificially move U.S.-earned profits to tax havens, then use the Water's Edge election to exclude those "foreign" profits from their California tax calculation.



PRIORITY 1
Close the Water's Edge loophole



Large employers push healthcare costs onto the public

California's largest, most profitable industries fail to provide adequate health insurance, shifting those costs onto Medi-Cal — and onto taxpayers.



PRIORITY 2
Corporate Healthcare Accountability Tax



Loopholes let corporations zero out what they owe

Nearly half of all profitable corporations paid only the \$800 minimum tax, despite earning billions in California profits — by stockpiling R&D credits and NOL carryforwards.



PRIORITY 3
Graduated rates and R&D credit caps

Broken Budget: Federal Cuts Worsened an Already Buckling Fiscal Foundation

California's budget crisis is structural and deepening. While the Governor's proposed 2026–27 budget identifies a [\\$2.9 billion](#) shortfall, the Legislative Analyst's Office estimates an [\\$18 billion shortfall for 2026–27](#), with continuing large deficits of [\\$35 billion in 2027–28](#) and beyond. This year is the fourth consecutive year of deficits despite strong revenue growth, driven by AI-fueled stock market gains that the [LAO warns are unsustainable](#). If the stock market corrects, [revenues could collapse](#).

The state has already exhausted most of its budget reserves addressing prior shortfalls, leaving California with fewer tools than ever to respond. The state carries [\\$33.9 billion](#) in outstanding budgetary borrowing, has depleted the Safety Net Reserve, and the Governor's proposed [\\$248.3 billion](#) General Fund includes no significant new revenue measures.

The federal cuts from H.R. 1 could turn a strained situation into a catastrophe. [H.R. 1](#), passed in July 2025, delivers the largest cuts to Medicaid in history. It strips up to [\\$30 billion](#) in annual federal Medicaid funding from California and puts [3.4 million Californians at risk of losing coverage](#). These costs [will shift](#) onto an already strained state budget, forcing lawmakers to choose between cutting care and cutting everything else, unless the state generates new revenue. At the same time, the expiration of Affordable Care Act (ACA) premium subsidies is [pushing premiums up by an average of \\$975 a year for 1.5 million](#) Covered California enrollees, and a projected [660,000 Californians will lose health coverage](#) altogether. For families already stretched by housing, energy, and childcare costs, losing healthcare coverage compounds the affordability squeeze on every family.

The Affordability Agenda: When Corporations Pay Their Share, California Can Invest in Everyone

California's tax code has significant strengths but a structural failure at its core. Currently, a robust graduated personal income tax funds the public investments and refundable tax credits that support Californians. However, over the last four decades, large corporations have reduced their tax liability through loopholes and lower rates, while simultaneously using their concentrated wealth and market power to drive up the costs of housing, healthcare, energy, and childcare. **These corporations inflate costs with market power and starve the state's response through tax avoidance, and Californians pay twice.**

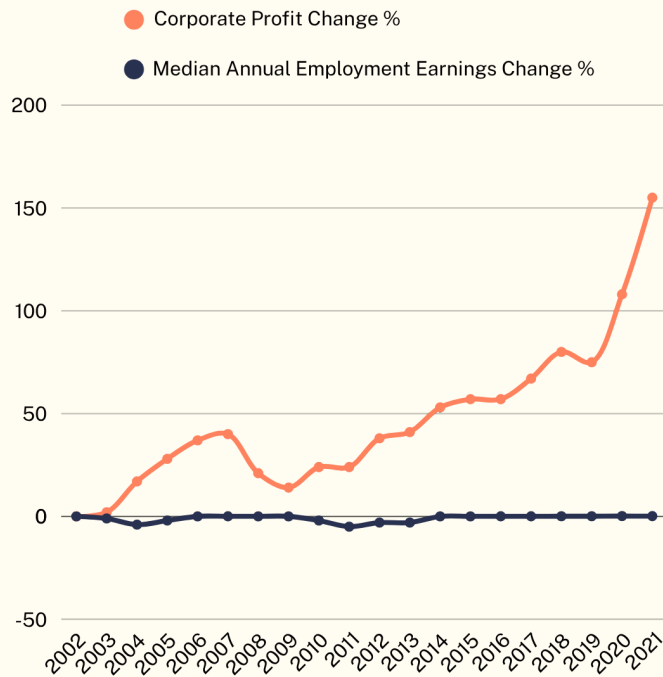
What's Working: A Progressive Foundation for Families

California's personal income tax is one of the most progressive in the nation, with a separate bracket for millionaires that tops out at 13.3%. Counting income, sales, excise, and property taxes, Californians across [income groups pay roughly the same share](#) of their income in taxes. That progressive revenue base funds refundable tax credits that deliver cash directly to Californians. This amounts to over [\\$1.4 billion annually](#) through CalEITC, the Young Child Tax Credit, and the Foster Youth Tax Credit, collectively reaching millions of Californians each year. [ESCA's work has been central to building this infrastructure](#) by tripling the CalEITC, establishing the Young Child Tax Credit, and expanding both credits to ITIN filers.

What's Broken: The Corporations Driving the Affordability Crisis Are Starving the State's Response

California corporations are paying a shrinking share of their profits to the state, even as those profits [continue to climb](#). Today, corporations [pay roughly half](#) the share of their profits in state

FIG 1. CORPORATE PROFITS HAVE FAR OUTPACED WORKER EARNINGS IN LAST 25 YEARS



Percentage Change in Corporate Profits & Median Worker Earnings in California Since 2002, Inflation-Adjusted

Source: [California Budget & Policy Center Analysis](#) of Franchise Tax Board and US Census Bureau, Current Population Survey via IPUMS

taxes that they paid in the 1980s. California’s flat corporate tax charges a small business earning \$50,000 and a multinational earning \$50 billion the same rate, while giving the multinational a set of loopholes the small business cannot use. The corporations exploiting those loopholes are the same ones using market power to drive up costs for families, and every dollar lost to corporate tax avoidance is a dollar unavailable to lower housing costs, expand healthcare coverage, and put cash in the pockets of hardworking Californians.

Multinationals shift profits offshore to avoid California taxes. Large corporations with foreign subsidiaries can artificially move U.S.-earned profits to tax havens, then use the [Water's Edge election](#) to exclude those “foreign” profits from their California tax calculation. This loophole costs the state [\\$3.5 billion](#) in revenue each year while giving multinationals a tax advantage otherwise unavailable to California’s [4.2 million](#) small businesses.

Large employers push healthcare costs onto the public. Some of California’s largest and most profitable industries,

including agriculture, food services, and retail, [fail to provide adequate health insurance](#) to their workers, instead shifting those costs onto Medi-Cal. A 2024 national survey of warehouse workers at Amazon, one of California’s largest private employers, found that [nearly half relied on public assistance](#), including 20% who were relying on Medicaid. In other multistate surveys, [Walmart and McDonald’s top the lists](#) of companies with the largest numbers of employees enrolled in Medicaid. At a time when millions of Californians face premium increases and coverage losses, the state is subsidizing corporations that can afford to cover their own workers but choose not to. When the state pays for what should be an employer’s responsibility, those costs are shifted onto taxpayers.

Unlimited credits and deductions let large corporations zero out what they owe. [Nearly half of](#) all profitable corporations paid only the \$800 minimum tax in 2023, despite collectively earning \$11.7 billion in profits in California. The state spends [\\$2.5 billion a year](#) on the R&D tax credit, with [no rigorous evaluation](#) of whether it works. The largest beneficiaries have stockpiled credits to cut their state tax bills for years: [Alphabet holds \\$6.4 billion in California R&D credits](#), [Apple holds \\$3.5 billion](#), and pharmaceutical companies use the same credit to make minor modifications to

existing medications and block generic competition. None of these tax advantages has come back in the form of revenue.

What's Needed: Corporate Tax Reforms To Fund California's Affordability Response

The mechanisms driving this crisis have clear fixes. The following three reforms would generate billions in sustainable revenue and directly target the corporate tax avoidance starving California's response.

PRIORITY 1: Close the Water's Edge Loophole

California already has the legal and administrative infrastructure to eliminate this loophole. The state taxes corporations using [worldwide combined reporting](#) when they do not elect the Water's Edge method, requiring them to include all profits, domestic and foreign, before calculating what share is taxable to California. Closing the loophole would make that the default for all corporations with foreign parents or subsidiaries, ending the ability to cherry-pick which profits count. The U.S. Supreme Court has twice upheld the constitutionality and fairness of worldwide combined reporting as a method of taxing multinational corporations.

Closing the Water's Edge loophole would level the playing field for small businesses. The Water's Edge loophole is structurally available only to multinationals with foreign subsidiaries. California's 4.2 million small businesses have no equivalent option. Every dollar those small businesses pay in taxes that a multinational avoids is a competitive disadvantage built into the tax code itself. Closing the loophole would raise revenue while also making our business environment more competitive for small businesses and startups.

PRIORITY 2: Corporate Healthcare Accountability Tax

Corporations that do not cover their workers should pay into the system on which they rely. Under this proposal, corporations that do not provide adequate health insurance to their employees would pay a tax penalty that funds California's healthcare programs and offsets federal cuts to Medi-Cal.

This tax directly targets the broken markets driving up healthcare costs for Californians. The same dominant employers driving down wages and pricing workers out of private coverage are the ones pushing the highest costs onto the public budget. The Corporate Healthcare Accountability Tax ensures that corporations that shirk their responsibility to employees cannot offload healthcare costs to the state.

PRIORITY 3: Graduated Corporate Tax Rates & R&D Reform

Replacing California's flat corporate tax rate with a graduated structure would lower costs for small businesses, and capping unlimited credits would end large corporations' ability to zero out their tax liability. Pairing the graduated structure with caps on R&D credits and Net Operating Loss (NOL) carryforwards would close the domestic avoidance gap that Water's Edge reform alone does not address. Corporations currently apply NOLs from prior years to erase current profits, then carry forward R&D credits indefinitely to eliminate any remaining liability. Reasonable annual caps on both would end the practice of zeroing out state tax bills entirely.

These reforms level the playing field for small businesses while ensuring large corporations contribute to the public investments that make their California operations possible. The effective tax rate of the largest 10% of corporations is [already 11 to 16 percentage points lower](#) than that of the remaining 90%. This gap reflects not the statutory rate but the capacity of the largest corporations to exploit it. A graduated rate combined with reasonable caps on R&D credits for large corporations would narrow that gap, restore fair competition for small businesses, and generate sustainable revenue to fund housing, healthcare, and economic supports for all Californians.



Direct Cash to Help Californians Weather the Affordability Crisis

Prices are high and rising: more than half of California renters spend more than 30% of their income on rent, and food prices are up 30% since 2019. **But rising costs are only half the crisis. Wages haven't kept pace, safety nets are being gutted, and too many Californians have no financial cushion when they experience unexpected hardship.** Whether families can afford California depends as much on what's in their bank accounts as what's on the price tag. California has already done the hardest part: building the evidence and infrastructure that proves cash works. The state delivers more than \$1.4 billion annually through refundable tax credits and pioneered the modern guaranteed income movement. What the state has already proven is that cash, delivered directly and reliably, gives people both the resources and agency to meet their needs and build the lives they want.

Stagnant wages leave workers behind

Big costs hit hardest at life's transitions

H.R. 1 strips support from the most vulnerable families

AI displaces workers with no floor under the transition

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Broken incomes that can't keep pace with the cost of living.

WHAT'S BROKEN: ONE SETBACK AWAY FROM FALLING THROUGH THE FLOOR

Existing credits are significant help, but leave too many people out

CalEITC tops out at \$31,950 — far below what it costs to live in California. The YCTC only reaches children under six. Neither keeps pace with stagnant wages and rising costs, and federal cuts are making a bad situation worse.



PRIORITY 1

Expand refundable tax credits

Billions in earned credits never reach the people who need them

Nearly half of eligible CalFresh enrollees don't claim the CalEITC. Filing taxes is complex, costly, and out of reach for millions — falling hardest on people of color and those with limited English.



PRIORITY 2

Automate and streamline cash delivery

There is no income floor for the transitions when hardship hits hardest

California has run more than 60 guaranteed income pilots — more than any other state — but proof of concept is not a program at scale. There is no statewide income floor for AI displacement, health crises, or reentry from incarceration.



PRIORITY 3

Establish permanent GI programs for transition moments

Broken Incomes: Rising costs leave too many Californians one setback away from falling through the floor

Low wages and eroding worker power mean, for many, one job is no longer enough. California has the world's fourth-largest economy and the single [largest influence on national productivity growth](#) of any state. Our economy is powered by [more than 19 million workers](#), 70% of whom work full-time. But the workers driving that prosperity aren't sharing in it: [36% of California workers](#) earn low wages (less than two-thirds the state median), and wages have [grown just 2.9%](#) after inflation since 2020 while the cost of living has kept climbing. That means having a job is far from a guarantee of economic security today. [Among those who can't afford basic needs, 80% live in working families](#), and [1.5 million California workers](#) live in poverty. At the same time, the strength of worker power that once bridged the gap between wages and costs has eroded. [California's union membership hit a historic low of 14.5%](#) in 2024, meaning millions of workers have been stripped of stable hours, benefits, and collective bargaining rights. When wages stagnate and worker power is diminished, cash creates the floor through which nobody can fall.

Big costs hit hardest during life transitions when income is lowest. The mismatch between life and earning cycles is a predictable feature of when and how people earn incomes and incur large costs over their lifetimes. Earnings usually climb with experience and peak in people's forties and fifties, but the biggest expenses often hit much earlier or at unpredictable moments. The affordability crisis concentrates at transitions like the birth of a child, the purchase of a home, job loss or change, a health emergency, pursuing higher education, aging out of foster care, or reentry from incarceration. Costs are highest when income gaps are widest and safety nets are thinnest. The burden falls harder on many families of color: [Black and Latinx families are significantly more likely to face economic insecurity and financial hardship](#) than white Californians. Targeted cash at these moments prevents a temporary setback from becoming permanent poverty and [can change life trajectories](#).

Federal cuts stripped support from the families most dependent on it. H.R. 1, passed in July 2025, delivered the largest cuts to Medicaid in history, [cutting up to \\$30 billion a year from California](#), and gutted SNAP availability by instituting significant new barriers to eligibility. Both changes remove critical purchasing power from the households with the least margin for error. More people will fall into poverty: without safety net programs, California's poverty rate would have been [6.7% higher](#) in 2023. The damage H.R. 1 does to these programs will make families less economically resilient against the affordability crisis. Guaranteed income and expanded tax credits cannot replace the social safety net, nor fully supplement the cuts made to Medicaid and SNAP. What more cash could do is provide families with the liquid resources to absorb disruptions when those programs become unavailable. The H.R.1 cuts make the case for cash supports that families can count on regardless of what Washington does next.

AI displacement is already eroding income security, especially for early-career workers, and there's no floor under the transition. A Stanford study of millions of payroll records found that employment for workers aged 22-25 in the most AI-exposed jobs (software development, customer service, accounting, and administrative work) has [fallen 16% since ChatGPT launched](#), while older workers in the same roles saw employment grow. Companies are replacing the entry-level work that once built careers with AI, and not backfilling those roles. The workers most likely to be displaced are those with [thin savings, specialized skills, and](#)

[limited options where they live](#). Cash support in that transition gap gives workers the agency and time to land on their feet while new opportunities catch up. Building the capacity to distribute cash in acute moments of need now is how California can get ahead of the displacement rather than scramble to respond to it.

The Affordability Agenda: California has proven cash is a powerful economic stabilizer

In both ordinary economic conditions and unprecedented crises, California has demonstrated that well-designed cash policies are effective and popular, helping families cover essentials, prevent financial crises, and make choices that help them live their lives with stability and agency. Because it allows people to spend how they need to, the support is tailored to each person's specific circumstances: paying off a credit card bill, being present at the big moments in their children's lives, not having to take a second (or third) job. Cash is not a silver bullet. It cannot solve deeply broken markets, such as the lack of affordable childcare or inaccessible healthcare, which require sustained public investment and policy reforms to truly meet families' needs. But it can still play a critical role in helping families stabilize in the short term while broader structural reforms are pursued. [Research consistently shows](#) that the most pronounced positive impacts occur when cash is delivered at critical life transitions: welcoming a new child, going to school, navigating a career transition, reentering the workforce after incarceration, or after a traumatic event. The question is no longer whether cash works, but how we can build on its proven success.

What's Working: A Nation-Leading Cash Delivery System

California has built some of the country's strongest state tax credits for low-income families.

Refundable tax credits are among the [most effective antipoverty tools available](#) for working-age families. These credits are proven to outperform other safety net programs on long-run poverty reduction, employment, and reduced reliance on public assistance, while putting cash directly in people's hands with relatively low administrative burden. Our state version of the Earned Income Tax Credit, the CalEITC, was created in 2015 and has been expanded repeatedly since to increase income eligibility, extend to immigrant filers with ITINs (Individual Taxpayer Identification Numbers), and add two new credits: the Young Child Tax Credit (YCTC) in 2019 and the Foster Youth Tax Credit (FYTC) in 2022. In 2022, the state [eliminated the income requirement for the YCTC](#) so that families with zero earnings could still qualify. Together, these three credits now [deliver over \\$1.4 billion annually](#) to nearly 6 million Californians, reaching workers, families with young children, and former foster youth transitioning into adulthood.

When the COVID recession hit, California proved not only that emergency cash works, but that the state can deploy it to quickly reach people at risk of being left behind. At its peak, the pandemic recession pushed unemployment to [20% or higher for workers of color in California](#), leaving millions unable to work and exhausting whatever savings they had. The [largest state tax rebate in American history](#), the Golden State Stimulus, delivered \$12 billion in direct payments to low-income Californians automatically, through the existing tax filing system, with no separate application required. Crucially, it included ITIN filers, reaching undocumented families who were explicitly shut out of federal stimulus. That was a deliberate policy choice, and a

significant one in a state where [more than half of all workers are immigrants or children of immigrants](#).

California pioneered the modern guaranteed income movement, and the evidence it generated has reshaped what's possible. In 2019, Economic Security Project partnered with then-Mayor Michael Tubbs on the [Stockton Economic Empowerment Demonstration](#) (SEED), the first mayor-led GI demonstration in the country, which gave 125 randomly selected participants \$500 a month for two years. SEED participants were more likely to find full-time work, experienced more stable incomes, and reported better mental health outcomes. That proof of concept seeded a movement: California now has [more than 60 GI programs statewide](#), far more than any other state. Nationally, guaranteed income programs have [reached more than 200 pilots](#) supporting 50,000 participants, with [more than 12,000 in California](#). The state took the next step in 2021, when the Legislature established the [first-ever state-funded guaranteed income program](#): a \$35 million, five-year CDSS program providing \$600 to \$1,200 per month to nearly 2,000 Californians, focused on pregnant individuals and foster youth aging out of care.

What's Broken: Current Programs Are Not Adequate, Fully Inclusive

The credits and programs California has built still leave too many people out. [CalEITC excludes the lowest-income workers from the full credit](#). This gap is an artifact of the phase-in structure inherited from the federal EITC. The credit tops out at incomes of \$31,950, far below what it actually costs to live in most of California, where [more than 1 in 3 households can't afford basic needs](#) even with working adults. Moreover, [most recipients receive less than \\$200](#). The YCTC reaches only families with children under six. Neither keeps pace with what workers actually face: stagnant wages, eroding union power, and rising living costs. Federal cuts are making a bad situation worse: as H.R. 1 strips purchasing power from households with the least margin for error, state credits should increase to cushion the fallout. California can't offset a \$30 billion Medicaid cut with a \$1.4 billion tax credit program. The state needs to significantly expand what it delivers and who it reaches.

Billions of dollars in earned credits never make it to the people who need it. [Nearly half](#) of eligible CalFresh enrollees didn't claim the CalEITC, because claiming it requires filing taxes. Not only is filing taxes not required for the lowest-income Californians, but when they do, it is complex and [often expensive](#). The [time tax](#) (hours spent navigating fragmented bureaucratic systems) falls hardest on low-income families, people with limited English, and those without internet access. Critically, this policy failure is a racial equity failure: [79% of Californians eligible for the CalEITC and 84% of those eligible for the YCTC are people of color](#), and people of color have been shown to be [more than twice as likely](#) as white families to miss out on benefits delivered through the tax code. Too many families are locked out by a filing process that's too complex, too costly, and too inaccessible for families already stretched too thin. As the federal government retreats from [Direct File](#), the window for efficiently and free of charge getting tax credits to people is getting smaller, not bigger.

There is no income floor for the transitions when hardship hits hardest. California has run [more than 60 guaranteed income programs](#), more than any other state. [Evidence shows](#) direct, unconditional cash improves health outcomes, stabilizes finances, and gives participants more agency over their lives. Yet, proof of concept is not a program at scale. There is no statewide income floor for a worker displaced by AI, or for someone who has to quit work to deal with a

health crisis of their own or a family member's. These transitions are predictable, and they're becoming more common. California should act to make cash available at these critical moments, before people fall through the gap.

What's Needed: More Cash, Delivered Reliably

California's affordability crisis would be ameliorated by smart cash policies. The following three priorities would expand what the state delivers, fix the systems failing to deliver it, and create the income floor that many Californians need but don't yet have.

PRIORITY 1: Expand Refundable Tax Credits

Every dollar invested in refundable tax credits goes directly into household budgets, and California's infrastructure to deliver them is already built. The state should increase credit amounts, broaden income eligibility, establish a minimum credit to end the exclusion of the lowest-income households, and extend the YCTC beyond children under six. With H.R. 1 stripping critical support from the households with the least margin for error, expanding credits now is both good policy and one of the fastest and most effective ways California can deliver help to the families that need it.

PRIORITY 2: Automate and Streamline Tax Credit Delivery

Millions of Californians who qualify for tax credits never claim them, but the state has much of the information needed to help them do it with much less burden. The state can reach eligible families in multiple ways: strategically sharing data it already holds across agencies like EDD and CDSS to identify non-filers; [meeting people where they already interact with government](#) (enrolling in benefits, recertifying for programs, or visiting state offices) and using those touchpoints to capture the tax information needed to deliver credits automatically; and building proactive outreach into the filing system itself. Concretely: (1) the Franchise Tax Board (FTB) should automatically issue refunds for unclaimed credits where eligibility can be confirmed from existing data; (2) the state should build a year-round tool for gig workers and independent contractors to track earnings, manage estimated payments, and access refundable tax credits; and (3) the FTB should reengage lapsed filers with pre-filled prior-year returns. As the federal government retreats from Direct File, California can't afford to wait.

PRIORITY 3: Establish Permanent, Statewide Guaranteed Income Programs for Transition Moments

California should build on its existing GI infrastructure to establish funded, statewide programs that guarantee income support at the predictable transitions where the gap between crisis and stability is widest and no existing program reliably fills it.

Some of these transitions are well understood: a new child, aging out of foster care, and reentry from incarceration. Others are emerging, and their full contours aren't yet known. AI-driven restructuring is already displacing early-career workers at scale, and broader economic disruptions, including the decline of fossil fuel industries, will displace whole swaths of workers in ways that no existing program is designed to absorb. California has proven the concept more times than any other state. The state should build the infrastructure now, so it's ready when the next wave hits.



Building a Tech Economy That Works for All Californians

Big Tech is making California less affordable for consumers, workers, and small businesses. While the sector promises innovation and convenience, what Big Tech offers comes at a high price for Californians, whether in higher rents, inflated grocery bills, rising utility rates, or job loss. The companies building groundbreaking technology tools are among the most profitable on earth, but [17.7% of California households live in poverty](#). California has begun to act, and the direction is clear: stronger antitrust enforcement, an end to surveillance pricing, public technology infrastructure that breaks dependence on Big Tech, and real protections for workers whose pay and jobs are increasingly set by algorithms they cannot see or contest.

Big Tech's gains flow to a narrow sliver of households — the rest of the state absorbs the costs

Big Tech monopolies lock out competition and extract higher prices from consumers, workers, and small businesses

Data centers shift costs onto household electricity bills

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Californians
foot the bill for
Big Tech's
market power

WHAT'S BROKEN: BIG TECH SETS THE TERMS, CALIFORNIANS PAY THE PRICE

California's antitrust law has a blind spot Big Tech exploits

The Cartwright Act hasn't been updated since 1907 and covers only collusion between firms — a single dominant company can crush competitors, extract fees, and suppress wages with no state-level consequences.



PRIORITY 1

Break concentrated tech power to lower costs

Dominant firms use personal data to charge the maximum

Surveillance pricing lets a single company use location, browsing history, and inferred income to set individualized prices.



PRIORITY 2

Build public tech infrastructure (CalCompute)

PRIORITY 3

End surveillance pricing and give Californians control of their data

No framework to stop data centers from offloading costs onto ratepayers

Data centers are on track to consume power equivalent to 2.4 million homes by 2028.



PRIORITY 4

Stop data centers from offloading costs onto Californians

Workers have no say in the algorithms that dictate their wages and conditions

Opaque algorithms set pay, assign shifts, and terminate workers with no obligation to disclose, accept appeals, or bargain. Gig drivers are pushed toward lower fares; warehouse workers are penalized for bathroom breaks. After Prop 22, workers have almost no recourse.



PRIORITY 5

Establish worker technology rights to protect incomes

Broken Markets: Big Tech Corporations Are Driving the Affordability Crisis

California's tech sector is a juggernaut of its economy, but its benefits are extremely lopsided. The sector anchors a tax base that funds California's schools, roads, and safety net, but those gains are concentrated in a narrow sliver of households and [a small cluster of zip codes](#), while the rest of the state absorbs the costs of Big Tech's market power. California has [the third-largest income gap](#) in the country, with families at the 90th percentile earning 11 times as much as families at the 10th percentile. California corporate profits rose [133% between 2002 and 2022](#), while typical worker earnings rose [8%](#). Big Tech sits at the center of that divergence: the same firms capturing those profits are the ones raising household costs.

Big Tech's market power leaves Californians with little choice about what they pay, because a handful of firms now set the terms for every digital transaction. A generation ago, California's entrepreneurs, small developers, and independent businesses competed on a more level playing field, driving the innovation that built Silicon Valley and anchored California's economy. That field has since collapsed into a handful of gatekeepers. Google controls [nearly 90% of the search market](#), forcing small businesses to pay Google to be found by their own customers. Amazon collects [at least 45% of every third-party sale](#) from the small businesses on its platform. The same four companies operate [67%](#) of the cloud infrastructure every AI tool depends on, which means every AI product Californians use carries a margin set by the companies that own the servers. Every fee these firms charge flows into everyday costs for consumers. Food delivery platforms charge restaurants [15–30% of every order](#), and delivery orders cost [nearly 80% more](#) than picking up the same meal.

Data centers are driving up electricity bills for California households, and the cost shift is accelerating. From 2022 to 2024, household electricity prices in the United States rose [10%](#) while commercial users, including data centers, saw only a [3%](#) increase. California data centers are on track to consume the equivalent power of [2.4 million homes](#) by 2028, nearly doubling their 2023 load. In Santa Clara, where [60% of the city's energy](#) now powers data centers, residents saw their 2% annual rate jump to hikes of up to [10%](#) within three years. Households pay these bills because utilities build grid capacity to serve data centers and recover the costs from every ratepayer. Since they have no way to opt out, the same households squeezed by inflated digital fees now carry the data center surcharge as well.

The Affordability Agenda: California, Not Big Tech, Should Decide the Terms of Its Tech Economy

Over the last decade, California has built the country's strongest portfolio of technology policy covering algorithmic accountability, data privacy, healthcare AI, broadband access, net neutrality, labor protections, and housing affordability. These wins demonstrate that when California sets clear rules and enforces them, Big Tech complies.

What's Working: California Has Led the Nation in Tech Policy

California has built the nation's strongest framework against the data exploitation that enables surveillance pricing and predatory targeting. DROP, the [data broker deletion platform](#) launched in

January 2026 under the [Delete Act](#), lets Californians erase the information brokers hold on them. [The Opt Me Out Act](#) will require web browsers to include built-in privacy controls by 2027. California's [Fair Employment and Housing Act regulations](#), effective October 2025, make the state the first to apply anti-discrimination law to artificial intelligence in hiring, pay, and promotion. Last year, the legislature passed the [Preventing Algorithmic Price Fixing Act](#) (AB 325 - Aguiar-Curry), which [made it illegal](#) for companies to use shared pricing software to coordinate prices across competitors. Attorney General Bonta followed with a [\\$7 million settlement with Greystar](#), one of the nation's largest landlords, restricting its use of competitors' nonpublic data in rent-setting.

California has invested more than any state in public broadband and public computing. The state's [\\$6 billion broadband package](#), passed in 2021, is building an open-access middle-mile network to increase competition and lower consumer prices. The California Public Utilities Commission's (CPUC) LifeLine broadband pilot brings subsidized internet to an estimated [1.7 million](#) eligible households, filling the gap left by the end of the federal Affordable Connectivity Program. The [Transparency in Frontier Artificial Intelligence Act](#) (SB 53 - Wiener) created CalCompute, public computing infrastructure that lets state agencies, researchers, and small businesses access AI without depending on Big Tech cloud providers. To address the household cost side of Big Tech's infrastructure demands, the legislature also passed the [Ratepayer and Technological Protection Act](#) (SB 57 - Padilla), which requires the CPUC to assess whether data center electricity demand is shifting costs onto residential ratepayers.

What's Broken: Big Tech Operates Without Accountability, and Californians Pay the Price

California's antitrust law has a blind spot Big Tech exploits: single-firm monopoly conduct falls outside its reach. California's main antitrust law, the Cartwright Act, [passed in 1907](#), only covers only collusion between two or more companies. And while it was updated last year to prohibit algorithmic collusion ([AB 325 - Aguiar-Curry](#)), the law has never addressed the harms that one individual firm can do on its own. That glaring gap means that a single dominant firm can use its market power to crush competitors, extract fees from businesses, and suppress wages, and the competitors, workers, and consumers harmed have no meaningful recourse under state law.

The results are visible across our economy: Amazon [takes at least 45% of every third-party sale](#) from small businesses on its platform, and Apple and Google charge app developers [30% of their revenue](#) just to reach customers. One of the most pernicious abuses is self-preferencing, where tech giants that own digital platforms act as gatekeepers, giving preferential treatment to their own products and services, stifling competition, raising prices for consumers, and growing ever more powerful. Single-firm dominance also shapes what never gets built: investors already [refuse to fund](#) startups that might challenge dominant platforms because the outcome is predictable before the competition begins. Some entrepreneurs are skipping the US market entirely, launching abroad because competing against incumbents that control the marketplace is insurmountable. Neither the Cartwright Act nor federal enforcement has kept pace with this conduct, and Californians pay the price as consumers, workers, and would-be competitors.

Dominant firms use algorithms to charge as much as possible, whether by coordinating with competitors or profiling customers individually. Even though California has [banned algorithmic price-fixing](#), a single company acting on its own can still use a customer's location, browsing history, device type, inferred income, and other personal data to determine the maximum amount a customer will pay. This practice, called "[surveillance pricing](#)," results in grocery stores, retailers, and other sales platforms charging each customer a different price for the same product. When [Consumer Reports](#) investigated Instacart's practices, it found that the platform was charging different customers as much as 23% more for the same item at the same store at the same time, at grocery chains including Safeway, Kroger, and Albertsons. Neither AB 325 nor the Delete Act prevents a company from setting discriminatory prices based on data it collects through its own platforms.

California has no regulatory framework to prevent data centers from shifting costs onto ratepayers, even with buildouts and costs about to spike. PG&E reported a [40% jump](#) in data center grid connection requests in 2025, and projected development in San Jose alone could [triple](#) the city's total energy use. California has no separate rate class for large-load customers, no standardized requirement that data centers cover the grid or water capacity they demand, and [subsidies for the industry remain on the books](#). Other states show the destination of California's current path: Pennsylvania's data center growth added an estimated [\\$1.7 billion](#) to ratepayer bills while the industry paid just \$1.36 billion in state and local taxes, and Illinois handed out [\\$983 million in tax breaks](#) to data centers, averaging a mere 22 permanent jobs per site.

Workers have no say in the algorithms that dictate their wages and working conditions. Across gig platforms, warehouses, and a growing number of other industries, companies use opaque algorithms to set pay, assign shifts, track productivity, and terminate employees, with no obligation to disclose how the systems work, accept appeals, or bargain over their deployment. Platform algorithms push drivers toward [lower fares and longer hours](#). Warehouse algorithms penalize bathroom breaks as "time off task" and terminate employees for low productivity scores without explanation. When harmed, gig workers have almost nowhere to turn. After the California Supreme Court upheld [Proposition 22](#), the Labor Commissioner determined the office can no longer handle wage claims from drivers classified as independent contractors. The only recourse available is lawsuits brought by local prosecutors or the Attorney General, neither of whom adjudicates individual claims.

What's Needed: Combatting Algorithmic Extraction

Major players from Silicon Valley are spending more than [\\$39 million](#) to influence California state politics and block tech regulation. California cannot address its affordability crisis without confronting the corporate power behind it. The following five reforms would break Big Tech's grip on the economy and build towards a technological future that works for all Californians.

PRIORITY 1: Break Concentrated Tech Power to Lower Costs

California needs stronger tools to prosecute tech corporations' anticompetitive behavior. The rent hikes, surveillance pricing, and exorbitant platform fees will continue as long as

dominant firms face no state-level consequences.

Modernize state antitrust law to cover single-firm conduct. The [COMPETE Act](#) (AB 1776 - Aguiar-Curry) would give California the authority for the first time to pursue action against a single dominant firm that locks out competitors, whether by paying device makers to exclude rival search engines, forcing app developers to pay a significant portion of their revenue for access to a captive customer base, pricing products below cost to drive competitors off platforms or out of the market, or using dominance to suppress workers' wages and squeeze suppliers.

Prohibit self-preferencing by the largest digital platforms. The [BASED Act](#) (SB 1074 - Wiener) targets the largest digital platforms with a market capitalization of over \$1 trillion and 100 million or more U.S. monthly users. The bill would prohibit dominant platforms from burying competitors in search results to prioritize their own products, using private seller data to build knockoff products, barring sellers from offering lower prices elsewhere online, and reserving platform features for their own apps at their competitors' expense.

Establish data portability and interoperability standards so that Californians and California businesses can move between platforms without losing their data or history.

PRIORITY 2: Build and Fund Public Technology Infrastructure to Break Dependence on Big Tech Cloud Servers

As long as state agencies, researchers, small businesses, and startups depend on Big Tech for computing power, those companies control who builds with AI and who gets priced out.

Fully fund CalCompute's implementation. [CalCompute](#) (SB 53 - Wiener (2025)), housed in the University of California system, would give university researchers and state agencies access to AI computing infrastructure without locking into a single private vendor. With CalCompute, these agencies will be able to build AI tools on infrastructure with transparency and data governance standards that commercial cloud providers have resisted. This implementation can build upon lessons from other successful launches: New York's [Empire AI](#), a \$500 million, ten-year initiative backed by state and philanthropic funding, gave academics access to hardware previously available only to Big Tech and well-funded federal labs.

Design CalCompute to avoid corporate capture. CalCompute's governance structure, procurement decisions, and data policies must serve the public from the outset rather than create a subsidized pipeline for Big Tech cloud providers. Current federal programs through [NSF](#) already subsidize researcher time on Amazon and Google's own servers, even though buying time on these private clouds costs far more than owning the machines outright. When public computing infrastructure depends on corporate partnerships for hardware, pricing, or governance, the public interest takes a back seat to private profit.

PRIORITY 3: End Surveillance Pricing and Give Californians Control of Their Data

[The Surveillance Pricing Protection Act](#) (AB 2564 - Ward) would prohibit businesses from using personal data to charge different consumers different prices for the same goods and services. Existing California law stops companies from coordinating prices through shared software; no statute prevents a single company from using its own data to set individualized prices.

Banning surveillance pricing is necessary, but not sufficient. Consumers also need clear disclosure and meaningful remedies and recourse. AB 2564 allows consumers to go to court to stop a company from using surveillance pricing, but not to recover the money they were overcharged. California should guarantee consumers the right to a refund for any price difference caused by surveillance pricing, allow individuals to sue for per-violation financial penalties, and require disclosure of dynamic pricing algorithms so consumers know when automated systems set the prices they see.

Close the upstream gap that makes surveillance pricing possible in the first place. A company that collects customer location data can still sell it to a broker, who sells it to a third party that builds a pricing profile. California should prohibit the collection and use of location and other sensitive data for pricing or profiling, stop the flow of that data to entities that never obtained consent, and give consumers the right to seek a remedy for any violation. To bolster oversight power, California should also strengthen enforcement of the [California Consumer Privacy Act](#) (CCPA) by giving the agency the resources and mandate to proactively audit AI pricing systems.

PRIORITY 4: Stop Data Centers from Offloading Costs onto Californians

California families should not absorb rate hikes to subsidize electricity infrastructure for some of the most profitable companies on earth.

Prohibit tax incentives, cut off subsidies, and ban special economic zones for data center developers. California should not subsidize an industry that takes more from communities than it returns. The legislature should repeal all tax incentives and subsidies for data centers. This includes sales and use-tax exemptions, corporate income tax credits, property tax abatements, and utility tax exemptions.

Make data centers pay the full cost of their energy and water. Data centers should pre-pay 100% of the costs to connect to the electric grid, with minimum contract lengths, minimum demand charges, and early termination penalties to protect ratepayers if a facility closes or uses less power than promised. CPUC should create a separate tariff schedule and rate class for data centers and other large-load customers. The [CPUC study mandated by SB 57](#) will determine whether residential ratepayers subsidize data center electricity costs. If it confirms the subsidy, the legislature should prohibit the practice immediately. The same cost-causation principle should apply to water: a separate utility customer class, with pre-payment for the treatment, storage, and pipeline capacity peak demand requires.

PRIORITY 5: Establish Worker Technology Rights to Protect Incomes

No worker's pay, safety, or job security should be determined by an algorithm they cannot see, contest, or bargain over. Gig drivers earning below minimum wage and warehouse workers penalized for bathroom breaks share the same problem: an algorithm decides their pay and their discipline, and they have no way to see it, contest it, or bargain over it."

Ban the most harmful workplace technologies outright: facial recognition, predictive behavioral scoring, productivity monitoring that violates labor or health and safety laws, and algorithmic wage discrimination. Workers should have the right to know what AI systems operate in their workplace, to appeal automated decisions about hiring, firing, and discipline, and to have a meaningful voice before these technologies are deployed.

Build durable guardrails across the gig economy and beyond. California should prohibit employers from using automated systems as the sole basis for discipline or termination, require advance notice before deploying workplace AI tools or executing AI-driven mass layoffs, and mandate impact assessments, individual notification, and human appeal mechanisms for high-risk automated decisions in employment, housing, healthcare, credit, and education.



Restoring Competitive Markets for Workers, Consumers, and Small Businesses

Healthy competition is what keeps corporate power in check. In market after market in California, it's been hollowed out. When corporations control a market and lock out rivals, they can charge what they want and pay what they want, because no one has anywhere else to go. The result is a direct transfer of wealth from household budgets to corporate coffers, CEOs, and shareholders: concentration costs California families \$3,700 a year in excess costs above what competitive markets would charge. Prices continue to soar on everything people need: from 2020 to 2024, the cost to feed a family grew 2.5 times faster than inflation, while corporate profits rose five times faster. Median S&P 500 CEO pay reached \$17.1 million in 2024, while real wages grew only 2.9% since the pandemic. A driving factor in this imbalance is the anticompetitive conduct of the large corporations that control virtually every sector of the economy. Concentrated market power drives and maintains California's affordability crisis, and nowhere in the country is it more entrenched than here. The same firms generating record profits are extracting higher prices, paying lower wages, and offering fewer choices to the 39 million people who power this economy. The existing guardrails are not holding up.

Unchecked market power costs California families \$3,700 a year in excess costs

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Corporate dominance is self-reinforcing — the more control a firm has, the harder it is to dislodge

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Broken markets are costing California families through higher prices, lower wages, and fewer choices

WHAT'S BROKEN: CALIFORNIA'S ANTITRUST LAWS ARE A CENTURY OUT OF DATE

California has no law against a single dominant firm abusing its market power

The Cartwright Act covers only collusion between two or more firms — meaning a single dominant company can crush competitors, extract fees, and suppress wages with no state-level consequences. CLRC experts called this the law's "most glaring deficiency." Amazon, dominant hospital systems, and others operate freely under conduct that would be illegal in most other states.



PRIORITY 1

Close the single-firm conduct gap (COMPETE Act)

California has no independent merger authority to stop harmful acquisitions

California can see a harmful deal coming but has no state-law basis to stop it. Serial "roll-up" acquisitions — the kind that have quietly concentrated California's healthcare, grocery, and housing markets deal by deal — fall below federal review thresholds entirely, and each one makes the next harder to challenge.



PRIORITY 2

Give California real merger authority

Broken Markets: California is Ground Zero for Corporate Concentration

California is home to [58 Fortune 500 companies](#) and [33 of the world's 50 leading AI companies](#). The corporations that set prices, wages, and market terms for millions of Americans make their decisions here. Across sector after sector, markets that were once competitive have become dominated by a handful of firms. That also means California is uniquely positioned to act: the state that hosts the world's most powerful corporations has both the standing and the leverage to demand they compete fairly.

Unchecked market power costs Californians in higher prices, lower quality, and fewer choices. When a small number of corporations control a market instead, they can charge more, deliver less, and face no accountability because consumers have nowhere else to go. The evidence is everywhere: [three health insurers](#) control 80% of California's market, and [hospital prices have risen 600%](#) in 35 years. [Four companies](#) control up to 85% of meat processing, and the prices families pay for chicken and beef no longer reflect production costs. [Broadband prices](#) in the U.S. are roughly double what consumers pay in peer nations. The same dynamic plays out in labor markets. When a few large employers dominate local hiring, workers lose the bargaining power that comes from having real options, and [wages end up roughly 20% lower](#) than they would be in a competitive market.

Corporate dominance is self-reinforcing: the more control a firm has, the more tools it has to ensure no rival can realistically compete. The strategy is straightforward: buy up potential rivals before they can grow, lock suppliers and customers into exclusive arrangements, and use control over essential infrastructure to favor their own products over everyone else's. The five biggest tech companies [acquired 819 smaller firms in a single decade](#) to eliminate competition before it could threaten them. For the small businesses and startups that depend on dominant digital platforms to reach customers, the terms are increasingly punishing: platform fees that take [up to half of every transaction](#) leave independent businesses competing on a playing field designed to put them out of business. California's once-vibrant entrepreneurial ecosystem reflects the result. In the 1980s, [roughly 90% of venture-backed startups](#) exited via an IPO, and 10% via acquisition. By 2019, that ratio had flipped: about 90% exited through acquisition by a larger firm.

The Affordability Agenda: Fair Markets Are Good Business, and Modern Laws Make Them Possible

For the first time in a century, California is positioned to strengthen its core antitrust law to protect consumers, workers, and small businesses from anticompetitive conduct that crushes competition, keeps wages down, and drives up prices. Stronger rules against monopoly abuse and restraints of trade create more opportunities for entrepreneurs and workers and lower prices for everyone.

What's Working: A Clear Path Forward and Growing Momentum

California isn't starting from scratch. Over the past several years, the state has passed landmark legislation, secured major enforcement victories, and launched the most comprehensive expert review of its antitrust laws since the Cartwright Act was enacted in 1907. The path forward is clear.

California has shown that markets can be shaped through a mix of investment and regulation. The state has taken on pharmaceutical monopolies directly: [CalRx](#), the state's initiative to develop and sell its own generic drugs at cost, [biosimilar insulin](#) available to Californians a fraction of current market prices, and recently passed legislation has reined in [price gouging by pharmacy benefit managers](#). The [Office of Healthcare Affordability](#) has extended that logic to mergers, requiring healthcare entities to notify the state before closing acquisitions. This gives California advance review authority over consolidations that concentrate market power and drive up costs. California has brought the same approach to tech by establishing [CalCompute](#), a public cloud computing cluster, and becoming the first state in the nation to [ban algorithmic price fixing](#). These wins are proof of concept for what modern market oversight looks like.

The legislative groundwork for the next phase is already before the legislature. After years of rigorous expert analysis, the [California Law Revision Commission](#) has produced its first recommendations, starting with closing the single-firm conduct gap in the Cartwright Act to give California its own independent tools to address monopoly abuse and restraints of trade by a single firm. That recommendation is now before the legislature as the [COMPETE Act](#) (AB 1776 - Aguiar-Curry). The legislature is also considering the [BASED Act](#) (SB 1074 - Wiener) to stop dominant platforms from rigging digital markets in favor of their own products, and the [Surveillance Pricing Protection Act](#) (AB 2564 - Ward) to prohibit corporations from using personal data to extract maximum prices from individual consumers.

California has proven it can take on dominant corporations and win. In recent years, the State has secured a string of significant enforcement victories. California's Attorney General joined the federal DOJ in the suit that [found Google unlawfully monopolized](#) publisher ad servers and ad exchanges. The Attorney General joined the FTC in [successfully blocking the \\$24.6 billion Kroger-Albertsons merger](#), preventing a consolidation that would have increased grocery prices and weakened workers' bargaining power. California has also joined a coalition of states [suing Live Nation and Ticketmaster](#) for monopolizing the live music market. When the federal government settled for terms that fell far short of breaking up the monopoly, California and a coalition of states rejected the deal and are [moving forward with the case](#). And after 25 years of dormancy, California is [reviving criminal antitrust enforcement](#): the California Department of Justice has announced it will resume prosecuting cases, and the legislature [increased the maximum criminal fines sixfold](#) to \$6 million per violation, signaling that the state is done treating antitrust violations as routine cost-of-doing-business settlements.

What's Broken: Dominant Corporations Exploit Laws the Rest of the Country Has Already Fixed

California is one of only a handful of states with no law against a single dominant firm abusing its market power. The Cartwright Act is California's foundational antitrust statute, enacted in 1907. It prohibits anticompetitive conduct between two or more firms, but says nothing about what one dominant firm can do on its own. CLRC experts called this the Cartwright Act's ["most glaring deficiency."](#) Under current California law, conduct by a single dominant firm cannot be challenged as a state antitrust matter, whether it's Amazon [charging sellers nearly half of every dollar](#) in fees to access marketplace infrastructure it controls, or a dominant hospital system that refuses to contract with an independent physician group to eliminate a competitor. Federal law theoretically covers some of it (under the Sherman Act), but decades of judicial interpretation have diminished its effectiveness, and federal enforcement

under the current administration is unreliable. Meanwhile, many of the corporations doing the most damage are headquartered in California, and the state needs its own independent tools to stop them.

California likewise has no merger law of its own. California law has no statutory provision allowing the state to review or challenge acquisitions, and our Attorney General must fight harmful deals in federal court under a precedent the state had no hand in shaping. The legislature recently took a first step with the [passage of SB 25](#), requiring the state Attorney General to receive federal Hart-Scott-Rodino (HSR) filings, the notices companies must submit before closing large deals, at the same time as federal regulators. But it is a notification statute, not an enforcement one: California can see a deal coming and still has no independent state-law basis to stop it. Worse, these federal HSR filings are only required for mergers above [\\$133.9 million](#), meaning the smaller serial acquisitions that have often concentrated California's healthcare, grocery, and housing markets [never triggered federal review at all](#). Each of these “roll-up” deals makes the market more entrenched, in some cases resulting in near monopoly control in regional markets, and raises the baseline concentration that enforcers must clear to show the *next* deal “substantially lessens competition” under the Clayton Act’s already demanding standard. The CLRC found [that burden alone has deterred the government from filing cases](#) it knows it should bring.

What's Needed: Modern Antitrust Laws to Meet the Moment

PRIORITY 1: Close the Single-Firm Conduct Gap

California needs a law that nearly every other state already has: a single dominant firm cannot abuse its market power to hurt competition. The [COMPETE Act](#) (AB 1776 - Aguiar-Curry) would take the best parts of multiple years of learnings from the California Law Revision Commission and would update California's century-old antitrust statute, giving California a clear statutory prohibition on abusive conduct by monopolies and other restraints of trade.

The price of inaction is that Californians will continue to pay higher prices, settle for fewer choices, and live on lower wages. Corporate concentration has compounded for four decades while California's antitrust laws stood still. The result is what Californians live with today: higher prices, fewer choices, and wages held down by employers who face no real competition for their workers. A single-firm conduct standard changes that calculus. It gives enforcers the tools to intervene before harms add up, gives businesses clear rules to follow, and gives California the independent authority to act.

PRIORITY 2: Give California Real Merger Authority

California needs independent merger authority: the power to challenge harmful deals in state court under California's own standard. The state should establish a merger law built around an "appreciable risk" standard: the principle that a merger should be blocked when it creates a credible risk of harming competition, not just if harm is a near-certainty. California should also codify the federal government's [2023 Merger Guidelines](#) as persuasive authority in state court, ensuring that even if federal enforcers abandon them, California's standard doesn't regress. Finally, the law should restore the principle, established by the U.S. Supreme Court in 1963, that high market concentration is [presumptively illegal](#), shifting the burden onto merging parties to prove their deal *won't* harm competition. Crucially, that presumption should apply to the serial acquisitions that currently fall below the federal Hart-Scott-Rodino filing threshold entirely, closing the roll-up loophole that has quietly concentrated California's healthcare, grocery, and housing markets deal by deal.

Every merger that escapes review becomes the baseline for the next one. Concentration that is already entrenched is the hardest kind to fix. These reforms give the Attorney General the authority to act before that happens, in every industry, under a standard built for California's economy.