
THIRD READING

Bill No: AB 1223
Author: Nguyen (D) and Krell (D)
Amended: 7/15/25 in Senate
Vote: 21

SENATE TRANSPORTATION COMMITTEE: 11-3, 6/24/25
AYES: Cortese, Archuleta, Arreguín, Blakespear, Cervantes, Gonzalez, Grayson, Limón, Menjivar, Richardson, Umberg
NOES: Strickland, Dahle, Seyarto
NO VOTE RECORDED: Valladares

SENATE REVENUE AND TAXATION COMMITTEE: 4-1, 7/9/25
AYES: McNerney, Ashby, Grayson, Umberg
NOES: Valladares

ASSEMBLY FLOOR: 52-15, 5/19/25 - See last page for vote

SUBJECT: Local Transportation Authority and Improvement Act: Sacramento Transportation Authority

SOURCE: Sacramento Transportation Authority

DIGEST: This bill makes changes to the Sacramento Transportation Authority's (STA's) ability to impose a transactions and use tax (TUT) and the allowable expenditures from a TUT imposed by STA. Authorizes STA to issue bonds to finance costs of high-occupancy toll (HOT) lanes or other toll facilities within Sacramento County.

ANALYSIS:

Existing law:

- 1) Authorizes a county board of supervisors to create a local transportation authority (authority) to operate within the county.

- 2) Provides that a county that chooses to create an entirely new entity as an authority shall determine the membership of the authority with the concurrence of a majority of the cities having a majority of the population in the incorporated area of the county and provides for the board membership of the authority.
- 3) Requires an authority to prepare and adopt an annual report each year on progress made to achieve the objective of improving transportation conditions related to priority highway operation and local transportation needs.
- 4) Authorizes an authority to impose a retail TUT ordinance applicable in the incorporated and unincorporated territory of a county if the tax ordinance is adopted by a two-thirds vote of the authority and imposition of the tax is subsequently approved by the electors voting on the measure, or by any otherwise applicable voter approval requirement, at a special election called for that purpose by the board of supervisors, at the request of the authority, and a specified county transportation expenditure plan is adopted.
- 5) Requires the authority, in the ordinance, to state the nature of the tax to be imposed, to provide the tax rate or the maximum tax rate, to specify the period during which the tax will be imposed, and to specify the purposes for which the revenue derived from the tax will be used. The tax rate may be in .25% (1/4-cent) increments and shall not exceed a maximum rate of 1%.
- 6) Provides election procedures for the adoption of the ordinance.
- 7) Authorizes the revenues from an imposed tax to be allocated by the authority for construction and improvement of state highways, the construction, maintenance, improvement, and operation of local streets, roads, and highways, and the construction, improvement, and operation of public transit systems.
- 8) Requires a county transportation expenditure plan to be prepared for the expenditure of the revenues expected to be derived from the tax, together with other federal, state, and local funds expected to be available for transportation improvements, for the period during which the tax is to be imposed. A county transportation expenditure plan shall not be adopted until it has received the approval of the board of supervisors and the city council representing both a majority of the cities in the county and a majority of the population residing in the incorporated areas of the county. Requires the expenditure plan to be adopted prior to the call of the election.

- 9) Authorizes the authority to annually review and propose amendments to the expenditure plan to provide for the use of additional federal, state, and local funds, to account for unexpected revenues, or to take into consideration unforeseen circumstances.
- 10) Provides that, as part of the ballot proposition to approve the imposition of a retail TUT, authorization may be sought to issue bonds to finance capital outlay expenditures as may be provided for in the adopted county transportation expenditure plan, payable from the proceeds of the tax, and provides for further requirements related to issuing bonds.
- 11) Authorizes a regional transportation agency, as defined, to apply to the California Transportation Commission (CTC) to develop and operate HOT lanes or other toll lanes, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit or freight, and establishes a process for review and approval by the CTC.

This bill:

- 1) Includes findings and declarations to support this bill's purpose.
- 2) Defines the following terms for the purpose of this bill:
 - a) "Active Transportation" to mean infrastructure facilities or services that encourage increased use of active modes of transportation, such as biking and walking, and includes projects consists with the Active Transportation Program.
 - b) "Authority" to mean STA.
 - c) "CARTA" to mean the Capital Area Regional Tolling Authority.
 - d) "Expenditure plan" to mean a county transportation expenditure plan adopted in connection with a TUT ordinance, as specified.
 - e) "Governing board" to mean the governing board of STA.
 - f) "Member" or "member of the governing board" to mean an individual county supervisor or city council member who has been appointed to the governing board, or their alternate.
 - g) "Ordinance" to mean a TUT ordinance authorized pursuant to existing law.

- 3) Authorizes STA to issue bonds to finance costs of HOT lanes or other toll facilities within Sacramento County approved by the CTC, as specified.
- 4) Authorizes bonds to be payable from toll revenue or any other funds lawfully available to STA for such purposes, including sales tax revenue, development impact fees, or state and federal grants.
- 5) Requires STA to do the following in order to issue bonds payable from toll revenue for a toll facility operated by CARTA:
 - a) STA shall enter into an agreement with the CARTA regarding the application of toll revenue to pay for bonds issued by STA.
 - b) The governing board of CARTA shall review and approve a toll facility expenditure plan.
- 6) Authorizes bonds issued may be sold pursuant to the terms and conditions set forth in a resolution adopted by STA. Requires bonds to be issued pursuant to a resolution adopted by a two-thirds vote of STA, which shall state the maximum principal amount of the bonds, the maximum term of the bonds, and the maximum rate of interest to be paid on the bonds, not to exceed the maximum rate permitted by law.
- 7) Stipulates that any bond issued shall not constitute a debt or liability of the state, as specified.
- 8) Provides that the allowable expenditure categories set forth in existing law shall also include the construction, modernization, and improvement of infrastructure that supports infill or transit-oriented development, in areas nominated by local government, and included in regionally adopted plans that advance state greenhouse gas emissions reduction objectives.
- 9) Defines “infrastructure” to mean any of the following: transportation facilities, as specified; and water, stormwater, wastewater, or other utility-related facilities.
- 10) Specifies that STA may only allocate revenues for a water, stormwater, wastewater, or other utility-related facility if that facility is combined with a project that includes a transportation facility. Requires that an expenditure plan shall not allocate more than 5% of the total revenues derived from a tax for these facilities.

- 11) Provides that a tax ordinance and corresponding expenditure plan may be imposed by STA in a geographic area that comprises less than the total area of Sacramento County, including its incorporated cities, subject to specific guidelines.
- 12) Requires an ordinance and expenditure plan to be adopted by at least two-thirds vote of the total membership of the governing board.
- 13) Specifies that an ordinance shall be subject to voter approval by the electors in the area to which TUT applies.
- 14) Provides that if an ordinance and expenditure plan for a portion of Sacramento County are approved, as specified, all subsequent governing board decisions and actions related to implementation of that ordinance and expenditure plan, including an action to amend the expenditure plan, shall be made by a majority of both of the following:
 - a) Those members representing the city or cities subject to the ordinance, if any.
 - b) All members appointed from the board of supervisors.
- 15) Specifies that the governing board shall determine the area to which the TUT would apply before the electors vote on the measure. If the TUT only applies to a portion of the county, all of the following shall apply:
 - a) The incorporated area of a city within the county shall either be wholly included or wholly excluded from the area to be taxed.
 - b) The unincorporated area of the county shall either be wholly included or wholly excluded from the area to be taxed.
 - c) The area to be to be taxed shall include at least the incorporated area from two cities or the incorporated area from one city and the unincorporated area from the county.
- 16) Provides that the revenues derived from the TUT shall be expended for the primary benefit of the portion of the county in which the tax is imposed, and that expenditures made within that portion of the county are deemed to confer a primary benefit. Requires STA to define primary benefit through guidelines as part of the expenditure plan, as specified. Stipulates that any revenues derived from the TUT shall supplement, and not supplant, other transportation revenues available to the portion of the county to which the TUT applies.

- 17) Specifies that an expenditure plan applicable to a portion of the county shall not be adopted until it has received the approval of the board of supervisors and of the city councils representing both a majority of the cities included within the area subject to the TUT and a majority of the population residing in the unincorporated areas subject to the TUT.
- 18) Stipulates that the provisions of this bill that apply to an ordinance and expenditure plan shall also apply to an ordinance and expenditure plan applicable to a portion of the county, including the authority to issue bonds.
- 19) Stipulates that the term “district,” as defined in current law shall not be interpreted to preclude STA from imposing a TUT in accordance with TUT law in an area that comprises less than the total geographic jurisdiction of the authority, so long as all other applicable requirements of that law are complied with.

Comments

- 1) *Purpose of this bill.* According to the author, “AB 1223 gives communities in Sacramento County the ability to take control of their transportation future. Currently, the Sacramento Transportation Authority (STA) can only propose sales tax measures for the entire county, even when just one part of the county is ready to move forward. This bill changes that. It gives the Authority the flexibility to propose transportation funding measures in specific areas, and ensures that revenue stays in the communities that vote for it. This district focused bill is about making government more responsive. It allows local leaders and residents to make transportation investments that reflect their priorities, whether that’s safer streets, better bike and pedestrian infrastructure, or projects that reduce traffic and improve air quality. AB 1223 also updates STA’s authority so it can support more modern solutions, like shared mobility, reducing environmental impact, and transit-oriented development. These are the kinds of projects that help us meet sustainability goals while improving everyday quality of life.”
- 2) *Local Transportation Authorities.* TUT or district taxes dedicated to transportation originated in 1970, when the Legislature authorized several counties served by the Bay Area Rapid Transit District (BART) to impose a regional sales tax. The Legislature subsequently authorized district taxes for individual counties or local entities, including Los Angeles, San Diego, Santa Clara, Fresno, and Sacramento, among others. In 1987, the Legislature enacted the Local Transportation Authority and Improvement Act (LTAIA), SB

142 (Deddeh, Chapter 786, Statutes of 1987), which provided a process for individual counties to create a local transportation authority and implement local sales taxes of up to 1% for transportation purposes, upon the adoption of a specified expenditure plan and approval of a ballot proposition by county voters. Today, as many as 25 so-called “Self-Help Counties” impose a transportation tax.

- 3) *Sacramento Transportation Authority*. STA was created in 1988 when Sacramento County voters approved Measure A, a 1/2-cent sales tax for transportation improvements. According to STA, more than 75% of voters subsequently approved a 30-year extension to Measure A, continuing the tax through 2039. STA is responsible for the administration of the funding provided by Measure A, which has provided local transportation funding to reduce traffic congestion; improve air quality; maintain and strengthen the county’s road and transportation systems; enhance Sacramento County’s ability to secure state and federal funding by providing local matching funds; preserve unique, natural amenities; and preserve agricultural land.
- 4) *Sacramento Area Council of Governments (SACOG)*. SACOG is the designated Metropolitan Planning Organization for the Sacramento region and consists of 28 member cities and counties. In that role, SACOG oversees the regional transportation plan/sustainable communities strategy (RTP/SCS) for the region, which updated every four years in collaboration with local governments. As designated by the state, Placer and El Dorado counties serve as regional transportation planning agencies (RTPA)s, responsible for their state-level transportation plans. SACOG, functioning as the RTPA for Sacramento, Sutter, Yolo, and Yuba Counties, collaborates with Placer County Transportation Planning Agency (PCTPA) and El Dorado County Transportation Commission (EDCTC) to maintain consistency across county plans and the broader regional framework.

SACOG launched a program called “Green Means Go”, described as a regional effort to accelerate infill development, which will lower GHG emissions and revitalize existing communities in the six-county Sacramento Area. According to SACOG, “Green means Go” is a key implementation activity to build a connected region with transportation options, affordable housing, and equitable investments. “Green Means Go” is intended to contribute to SACOG’s 2025 Blueprint (RTP/SCS) with the following: 32% of planned regional housing growth, creating an estimated 84,000 new homes; 40% of planned employment growth, or about 100,000 new jobs; 16% reduction of vehicle miles traveled

(VMT) per capita in Green Zones, double the regional reduction per capita of 8%; and reducing the number of homes in high fire risk areas by 10,000 units over 20 years.

Every jurisdiction in the region supports Green Means Go, and 26 of the 28 have adopted Green Zones, which are areas that have infill capacity yet currently face market or other barriers to development

- 5) *Toll lanes are new to the Sacramento region.* The Capitol Area Regional Tolling Authority (CARTA), was created as a Joint Powers Authority in January 2024 to develop and operate toll facilities in the Sacramento Region. CARTA's membership includes SACOG, the Yolo Transportation District (YoloTD), and the California Department of Transportation (Caltrans) District 3 and includes non-voting directors from STA, the PCTPA, and EDCTC. CARTA has five directors on its governing board: two appointed by YoloTD, two appointed by SACOG, and one appointed by Caltrans District 3.

According to CARTA, "As an integral component of the long-range plan for the Sacramento region, toll lanes are anticipated to be built over the next 20 years on the most congested portions of Interstate 80 (I-80), Interstate 5 (I-5), State Route 99, State Route 65, and Highway 50. Two toll lane projects are currently being developed: the first on I-80 from Davis to West Sacramento in Yolo County, and the second on I-5 from the Sacramento International Airport to downtown in Sacramento County. Both projects are currently in the environmental phase and are being developed with input from residents, drivers, and elected officials."

- 6) *AB 1223 would allow STA to help fund new Sacramento region priorities.* As described above, STA was created in 1988 under the LTAIA, with the sole purpose of managing funding derived from Measure A to meet the goals of the expenditure plan. This bill seeks to evolve the authority of STA by authorizing new parameters for future tax measures and financing new projects in partnership with CARTA.

First, AB 1223 would expand the scope of what transportation authorities are authorized to fund with revenue generated by a TUT. As mentioned, existing law allows a transportation authority to allocate revenues from the taxes imposed for the construction and improvement of state highways, the construction, maintenance, improvement, and operation of local streets, roads, and highways, and the construction, improvement, and operation of public transit systems. This bill includes "the construction, modernization, and improvement of

infrastructure that supports infill or transit-oriented development, in areas nominated by local governments, and included in regionally adopted plans.”

This bill further defines this type of infrastructure to mean water, stormwater, or other utility-related facilities. While this bill does not directly reference the “Green Means Go” program, the types of projects eligible would support it. Additionally, this bill restricts STA to only be able to allocate revenues for this infrastructure if it is combined with a transportation project and caps the expenditures at 5% of the total revenues derived from the TUT.

Second, this bill authorizes STA to issue bonds to finance the costs of building HOT and other toll facilities in Sacramento County. Revenue derived from the toll revenues would be authorized to pay for the bonds, including other funds available to STA such as other TUT revenue, development impact fees, or state and local grants. As mentioned, the newly created CARTA is currently working on two toll projects, and will be the managing agency for the operation of the facilities. Prior to any bond issuance STA must enter into an agreement with CARTA regarding the use of toll revenue and the governing board of CARTA must review and approve an expenditure plan.

Finally, AB 1223 would give STA the authority to impose a TUT in a geographic area that comprises less than the total area of Sacramento County, including its cities. This bill details a process for STA to develop and approve the ordinance and expenditure plan and sets parameters for how the cities and unincorporated areas of the county must be included or excluded. This bill also requires the revenues derived from the tax be expended for the primary benefit of the portion of the county in which the tax is imposed.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 7/15/25)

Sacramento Transportation Authority (Source)
Sacramento County
Sacramento Regional Transit District

OPPOSITION: (Verified 7/15/25)

Howard Jarvis Taxpayers Association

ARGUMENTS IN SUPPORT: Writing as the sponsor of AB 1223, STA states, “AB 1223 enhances local control, allowing communities to pursue sub-regional funding mechanisms tailored to their priorities. It ensures that tax revenues stay local and are only enacted through a public vote—the bill does not raise taxes, but gives voters the option to invest in local transportation solutions.

“The bill also enables STA to support coordinated infrastructure improvements that promote infill development and corridor revitalization—advancing economic growth, housing, and sustainability goals through smarter use of existing infrastructure.

“In addition, AB 1223 authorizes the financing of express lanes and high-occupancy toll lanes, tools identified by Caltrans and SACOG to improve mobility, expand transit options, and reduce congestion and emissions—without requiring additional public spending.

“By updating STA’s statutory authority, AB 1223 provides the tools and flexibility needed to address today’s transportation challenges while positioning Sacramento County for a more sustainable and equitable future.”

ARGUMENTS IN OPPOSITION: Writing in opposition, the Howard Jarvis Taxpayers Association states, “AB 1223 would expand the allowable expenditure categories for revenues from such a tax to widely sweep in “infrastructure” and infill development needs that could even include costly stormwater and wastewater facilities, placing demands on the revenue for projects that go far beyond core transportation needs.

“AB 1223 would also allow STA to impose a transactions and use tax in a geographic area of its choosing that is less than the total area of the County of Sacramento. This potentially allows for the intentional disenfranchisement of county residents who are likely to oppose the tax, but who will have to pay it when they make purchases in the nearby geographic area.

“Sacramento County residents, like all Californians, are struggling with the high cost of living and would be further harmed by costly tolls and higher taxes.”

ASSEMBLY FLOOR: 52-15, 5/19/25

AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bennett, Berman, Boerner, Bonta, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Pacheco, Patel,

Pellerin, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez,
Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Stefani,
Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NOES: Bains, Castillo, Chen, Davies, DeMaio, Gallagher, Hadwick, Hoover,
Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis

NO VOTE RECORDED: Alanis, Bauer-Kahan, Bryan, Dixon, Ellis, Flora, Jeff
Gonzalez, Irwin, Ortega, Papan, Petrie-Norris, Soria

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