

CONCURRENCE IN SENATE AMENDMENTS

AB 1223 (Nguyen and Krell)

As Amended July 15, 2025

Majority vote

SUMMARY

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, and authorizes STA to issue bonds to finance costs of high-occupancy toll lanes or other toll facilities within Sacramento County.

Senate Amendments

- 1) Specify that all revenues derived from a TUT adopted pursuant to this bill 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.
- 2) Requires STA to define primary benefit through guidelines as part of the expenditure plan, as specified.

COMMENTS

- 1) *Local Transportation Authorities.* 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 counties impose a transportation tax.
- 2) *Sacramento Transportation Authority.* STA was created in 1988 when Sacramento County voters approved Measure A, a half-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 accountable for the administration of the funding provided by Measure A, which has provided local transportation funding for the following:
 - a) Reduce traffic congestion.
 - b) Improve air quality.
 - c) Maintain and strengthen the county's road and transportation systems.
 - d) Enhance Sacramento County's ability to secure state and federal funding by providing local matching funds.
 - e) Preserve unique, natural amenities.

f) Preserve agricultural land.

STA explains that, "STA developed an expenditure plan by incorporating feedback from multiple stakeholders, such as the general public, local governments, and transportation experts. Officially titled, 'The Measure A Ordinance and Transportation Expenditure Plan,' eligible expenditures were required to be incorporated into the ballot measure. STA distributes funding per the Measure A Ordinance and Transportation Expenditure Plan to the various partner agencies based on the identified formula and/or percentages for its intended purpose."

STA's board consists of 16 members: five from the Sacramento County Board of Supervisors, five Sacramento City Councilmembers, two Elk Grove City Councilmembers, one from the city councils of Citrus Heights, Folsom, and Rancho Cordova, and one combined seat from the Galt and Isleton City Councils.

- 3) *Sales and Use Taxes.* State law imposes the sales tax on every retailer "engaged in business in this state" that sells tangible personal property, and requires them to register with the CDTFA, as well as collect the appropriate tax at purchase and remit the amount to CDFTA. Sales tax applies whenever a retail sale occurs, which is generally any sale other than one for resale in the regular course of business. The current rate is 7.25%.

Unless the purchaser pays the sales tax to the retailer, they are liable for the use tax, which the law imposes on any person consuming tangible personal property in the state. The use tax is the same rate as the sales tax, and also like the sales tax, must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase.

- 4) *Transactions and Use Taxes.* The California Constitution states that taxes levied by local governments are either general taxes, subject to majority approval of its voters, or special taxes, subject to 2/3 vote (Article XIII C). Proposition 13 (1978) required a 2/3 vote of each house of the Legislature for state tax increases, and a 2/3 vote for local special taxes. Proposition 62 (1986) prohibited local agencies from imposing general taxes without majority approval of local voters, and a 2/3 vote for special taxes. Proposition 218 (1996) extended those vote thresholds to charter cities, and limited local agencies' powers to levy new assessments, fees, and taxes. Local agencies generally propose to increase taxes by adopting an ordinance or a resolution at a public hearing.

State law allows cities, counties, and specified special districts to increase the sales and use tax applicable in their jurisdiction, also known as district taxes or TUTs. Generally, the combined TUT tax rate imposed within a local jurisdiction cannot exceed 2%. To determine whether a county has reached this rate limitation, all countywide taxes and the highest combined rate imposed by a city within the county are counted towards the county's rate limit. For example, if a county imposes three 0.5% countywide taxes and two cities within the county each impose a 0.5% tax, the combined rate in those two cities would be 2%. In such a circumstance, the two cities could not impose another TUT, and the county could not impose another countywide TUT, absent special authority to exceed the rate limitation.

Prior to 2003, cities lacked the ability to place TUTs before their voters without first obtaining approval by the Legislature to bring an ordinance before the city council, and, if approved at the council level, to the voters. This was remedied by SB 566 (Scott), Chapter

709, Statutes of 2003, which imposed the uniform 2% countywide cap. As of April 1, 2025, local agencies impose 478 district taxes for general or special purposes: 401 imposed citywide, 71 imposed countywide, and six imposed in unincorporated county areas. Generally, local agencies impose these taxes throughout the entire area of a single county, the entire unincorporated area within a single county, or a single incorporated city. However, three transportation operators in the Bay Area have regional district taxes:

- a) BART, which covers Alameda, Contra Costa, and San Francisco.
 - b) The Peninsula Corridor Joint Powers Board (CalTrain), which covers San Francisco, San Mateo, and Santa Clara counties.
 - c) The Sonoma-Marín Rail Transit District, which includes Sonoma and Marin counties.
- 5) *AB 1413 and AB 1052.* AB 1413 (Gloria), Chapter 758, Statutes of 2019, authorized local transportation authorities in Placer, Solano, and San Diego Counties to levy a TUT in a portion of its jurisdiction with voter approval. Specifically, AB 1413 did the following:
- a) Authorized the Placer County Transportation Planning Agency to impose a TUT applicable to the entirety, or a portion, of the County of Placer in conformity with TUT Law at a rate of no more than 1% if certain requirements are met, including a requirement that the ordinance proposing the TUT be submitted to, and approved by, the voters.
 - b) Provided the same abovementioned TUT authority to the Solano Transportation Improvement Agency for certain portions of Solano County.
 - c) Authorized the San Diego Regional Transportation Commission, San Diego Association of Governments, San Diego Metropolitan Transit System and the North County Transit District to levy a TUT in a portion of their jurisdictions, with voter approval, and required revenues derived from the TUT to be spent only on transportation and transit infrastructure and services.

A similar bill, AB 1324 (Gloria) of 2018 would have authorized a local transportation authority, which has existing TUT authority, to levy a TUT in any portion of its jurisdiction, with voter approval. This bill was held on the Assembly Floor.

AB 1052 (McCarty), Chapter 674, Statutes of 2023, provided similar TUT authority to the Sacramento Regional Transit District. To date, the authority provided by AB 1413 and AB 1052 have not been successfully used by the respective agencies.

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."

Arguments in Support

According to STA, "This bill thoughtfully modernizes STA's statutory framework by establishing a dedicated section in the Public Utilities Code, giving our agency the flexibility to better meet Sacramento County's evolving transportation needs. 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

According to the Howard Jarvis Taxpayers Association, "AB 1223 would empower the Sacramento Transportation Authority (STA) to develop and operate toll facilities in addition to its existing power to impose a transactions and use tax for transportation purposes, subject to voter approval. Further, 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."

FISCAL COMMENTS

None.

VOTES:

ASM LOCAL GOVERNMENT: 7-1-2

YES: Carrillo, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward

NO: Ta

ABS, ABST OR NV: Hoover, Wilson

ASM TRANSPORTATION: 12-4-0

YES: Wilson, Aguiar-Curry, Ahrens, Carrillo, Harabedian, Hart, Jackson, Lowenthal, Papan, Ransom, Rogers, Ward

NO: Davies, Hoover, Lackey, Macedo

ASSEMBLY FLOOR: 52-15-12

YES: 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

NO: Bains, Castillo, Chen, Davies, DeMaio, Gallagher, Hadwick, Hoover, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis

ABS, ABST OR NV: Alanis, Bauer-Kahan, Bryan, Dixon, Ellis, Flora, Jeff Gonzalez, Irwin, Ortega, Papan, Petrie-Norris, Soria

SENATE FLOOR: 28-11-1

YES: Allen, Archuleta, Arreguín, Becker, Blakespear, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

NO: Alvarado-Gil, Cabaldon, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Ashby

UPDATED

VERSION: July 15, 2025

CONSULTANT: Jimmy MacDonald / L. GOV. / (916) 319-3958

FN: 0001599