

Date of Hearing: March 25, 2026

ASSEMBLY COMMITTEE ON ELECTIONS

Gail Pellerin, Chair

AB 1919 (Pellerin and Addis) – As Introduced February 12, 2026

SUBJECT: Santa Cruz Metropolitan Transit District: transactions and use tax: qualified voter initiative.

SUMMARY: Specifies that special taxes may be imposed through the initiative process in the Santa Cruz Metropolitan Transit District (SC Metro), as specified. Establishes procedures for the placement of a retail transactions and use tax (TUT) ordinance on the ballot for the consideration of SC Metro voters. Specifically, **this bill**:

- 1) Specifies that a TUT authorized under existing law in SC Metro may be imposed by qualified voter initiative, including an initiative for which a petition has been circulated on or after January 1, 2026.
- 2) Provides all the following, for the purposes of a TUT proposed in SC Metro on or after January 1, 2026, as specified:
 - a) Requires the ordinance imposing the TUT to be submitted to voters of Santa Cruz County at a special election that is consolidated with a statewide election.
 - b) Requires the measure to comply with existing provisions of the Elections Code related to district ballot measures.
 - c) Requires the SC Metro to reimburse Santa Cruz County for the incremental costs incurred by the county for submitting such a measure to the voters. Specifies, for these purposes, that incremental costs include the following:
 - i) The cost to prepare, review, and revise the impartial analysis of the measure.
 - ii) The cost to translate ballot materials into languages other than English.
 - iii) Additional costs that exceed costs incurred for other races or measures appearing on the same ballot in the county, including the printing and mailing of ballot materials and the canvass of the vote of the measure.
 - d) Requires SC Metro's legal counsel to prepare the impartial analysis of the measure, rather than having the analysis be prepared by the county counsel as is required under existing law. Provides that the analysis prepared by SC Metro's counsel is subject to review and revision by the county counsel.
 - e) Specifies that the Santa Cruz County elections official shall serve as the elections official for the purpose of administering a ballot measure for SC Metro.
- 3) Contains an urgency clause, allowing this bill to take effect immediately upon enactment.

EXISTING LAW:

- 1) Provides that the initiative is the power of the electors to propose statutes and amendments to the Constitution and to adopt or reject them. Permits initiative powers to be exercised by the electors of each city or county under procedures that the Legislature shall provide. (California Constitution, Article II, §§8, 11)
- 2) Requires a state initiative measure to receive a majority of votes cast thereon to take effect. (California Constitution, Article II, §10(a); Article XVIII, §4)
- 3) Provides that if a majority of the voters voting on a proposed local initiative ordinance vote in its favor, the initiative shall take effect, as specified. (Elections Code §§9122, 9217, 9320)
- 4) Provides that in addition to any other method provided by law, ordinances may be enacted by a district through the initiative process, except in irrigation districts; a district formed under a law that does not provide a procedure for elections; a district formed under a law which does not provide for action by ordinance; a district governed by an election procedure that permits voters, in electing the district's directors or trustees, to cast more than one vote per voter; or a district in which the directors are empowered to cast more than one vote per director when acting on any matter. Provides, for these purposes, that the term "district" includes any regional agency that has the power to tax, to regulate land use, or to condemn and purchase land. (Elections Code §§317, 9300)
- 5) Prohibits a local government from imposing, extending, or increasing a general tax unless it is submitted to the electorate and approved by a majority vote. Requires the general tax proposal to be submitted to the voters at an election that is consolidated with a regularly scheduled general election for members of the governing body of the local government, except as specified. Prohibits a local government from imposing, extending, or increasing any special tax unless and until it is submitted to the electorate and approved by a two-thirds vote. Provides that any tax levied by a special purpose district or agency is a special tax. (California Constitution, Article XIII C, §2)
- 6) Provides for the creation of SC Metro, subject to the approval of electors in the district, and authorizes it to operate a public transit system in incorporated and unincorporated territory within the County of Santa Cruz. Provides for SC Metro to be governed by a board of directors of between 7 and 11 members who are appointed by the governing bodies of cities in Santa Cruz County and by the Santa Cruz County Board of Supervisors. (Public Utilities Code §§98000 et seq.)
- 7) Permits the SC Metro board of directors to adopt a TUT ordinance, provided that two-thirds of the electors voting on the measure vote to authorize its enactment at a special election called for that purpose. (Public Utilities Code §98290)
- 8) Requires the district elections official, for each district initiative measure that will be submitted to voters, to transmit a copy of the measure to the county counsel, or to the district attorney if there is no county counsel, of the county that contains the largest number of registered voters of the district, and requires the county counsel or district attorney to prepare

an impartial analysis of the measure, except as specified. (Elections Code §9313)

FISCAL EFFECT: Unknown. State-mandated local program; contains reimbursement direction.

COMMENTS:

1) **Purpose of the Bill:** According to the author:

Efficient and well-planned public transit is an important infrastructure for every city. The Santa Cruz Metropolitan Transit District (METRO) connects my district in Santa Cruz with the surrounding areas bringing in jobs and growth to the region. To address growing demands and needs, in 2022, METRO rolled out “Reimagine METRO” to expand and improve their service network. This effort has subsequently resulted in significantly increased ridership by 43%. This service expansion was partly funded by state dollars that will run out in 2026. Without additional funds, service reduction and job cuts are a real possibility. In early 2026, local voters formed the coalition “Friends of METRO” to place a citizen’s initiative on the November 2026 ballot to secure a local transaction and use tax to benefit METRO and prevent this loss of service. Unfortunately, there is ambiguity in existing law about whether voters in the district may use the citizen’s initiative process. This is what AB 1919 seeks to address. This bill will outline elections procedures in METRO’s statutes to explicitly allow local electors to place a citizen’s initiative on the ballot.

2) **SC Metro Background:** According to information from SC Metro, the district was formed in 1969 for the purpose of providing public, fixed route bus service in Santa Cruz County, and it assumed operation of paratransit services in Santa Cruz County in 2004. In addition to operating bus and paratransit service throughout Santa Cruz County, SC Metro also operates a commuter bus service to Santa Clara County in cooperation with other governmental agencies. SC Metro is governed by a Board of Directors consisting of eleven voting members and two ex-officio members.

3) **Initiative Process, Defined:** As detailed above, the California Constitution guarantees the right of voters to propose statutes and amendments to the Constitution and to adopt or reject them, and requires the Legislature to provide for initiative powers that may be exercised by city and county electors. Additionally, although not required by the California Constitution, the Legislature has adopted procedures in the Elections Code to allow voters to exercise initiative powers in some districts.

As used in this analysis, the term “initiative” applies exclusively to measures initiated by the voters of a jurisdiction through the collection of voters’ signatures on initiative petitions. Other types of measures that appear on the ballot for voters’ consideration, including measures that a governing body of a local government places on the ballot, are not considered initiative measures under state law or for the purpose of this analysis.

- 4) **Local Taxes, Initiative Measures, and Vote Thresholds:** As detailed above, the California Constitution prohibits a local government from imposing, extending, or increasing a special tax unless it is approved by a two-thirds vote of the electorate. The California Constitution imposes other restrictions on taxes imposed by local governments, including a requirement that a general tax must be approved by the voters at a general election for members of the local government's governing body, except in an emergency.

In August 2017, the California Supreme Court issued its ruling in *California Cannabis Coalition v. City of Upland*, 3 Cal. 5th 924 (2017). In that case, the Court was asked to address whether the requirement that a local government must submit a proposed general tax to the voters at a regularly scheduled general election applies to measures that are placed on the ballot not by the governing body, but instead by the voters through the initiative process.

The Court concluded that the California Constitution “does not limit voters’ power to propose and adopt initiatives concerning taxation,” and thus that local general taxes proposed through the initiative process could appear on the ballot at elections other than regularly scheduled general elections. In reaching that conclusion, the majority opinion noted that the Court has consistently taken the position that courts should protect and liberally construe the people’s initiative power, and that it would not construe the Constitution as limiting that power “[u]nless a provision explicitly constrains the initiative power or otherwise provides a similarly clear indication that its purpose includes constraining the voters’ initiative power.”

Because the issue was not before the Court, the majority decision in *Upland* did not directly address whether a local initiative measure that proposes special taxes must comply with the two-thirds vote requirement found in article XIII C, section 2, subdivision (d) of the California Constitution. Nonetheless, following the Court's decision, many commentators speculated about the ruling's potential implications on the vote threshold required to approve local special tax initiatives. (In fact, one justice, in an opinion concurring in part and dissenting in part from the majority opinion in *Upland*, concluded that the logic of the majority’s opinion meant that “from here on out, special taxes can be enacted by a simple majority of the electorate, as long as proponents can muster the necessary quantum of support to require consideration of the measure.”)

Since *Upland*, several lower courts have been asked to consider whether local special taxes imposed through the initiative process require a two-thirds vote for approval. California Appellate Courts have considered eight such cases and have uniformly concluded that the two-thirds vote requirement in article XIII C, section 2, subdivision (d) does *not* apply to special taxes proposed through the initiative process. In six of those eight cases, the California Supreme Court declined to review the Appellate Court decision (in one of the other two cases, no review was sought, and in the final case, the period for requesting review of the decision has not yet expired). Moreover, in a unanimous decision in *Legislature of the State of California v. Weber*, 16 Cal. 5th 237 (2024), the Supreme Court said that the *Upland* ruling included dicta—non-binding commentary—“that special taxes introduced by initiative are not subject to [the] two-thirds vote requirement” found in article XIII C, section 2, subdivision (d). Committee staff, however, could not locate such a statement in the cited portion of the *Upland* decision.

- 5) **District Initiative Measures:** As detailed above, existing state law already provides for an initiative process in some, but not all, districts. Specifically, section 9300 of the Elections Code provides that ordinances may be enacted in districts through the initiative process, except in districts that meet one of five enumerated conditions. Four of those conditions clearly do not apply to SC Metro, but it is less clear whether the fifth condition applies. Accordingly, there may be some ambiguity about whether a voter can propose to enact a TUT through the initiative process in SC Metro.

Specifically, state law provides that the initiative process is not available in a district “formed under a law that does not provide a procedure for elections.” State law does not further elaborate on what it means for a law to provide “a procedure for elections,” nor is there relevant case law that interprets the meaning of that phrase.

As detailed above, existing law already provides for submission of a proposed TUT tax ordinance to SC Metro voters. Furthermore, state law required voter approval to form SC Metro. It could be argued that these provisions are “a procedure for elections.” On the other hand, the board of directors of SC Metro is appointed, rather than elected, so SC Metro does not hold regularly-scheduled elections for the purpose of electing board members. That fact may support an argument that the laws governing SC Metro do *not* provide a procedure for elections.

By expressly providing that the voters in SC Metro may impose a TUT through the initiative process, this bill should resolve any ambiguity about whether the initiative process is available for that purpose.

- 6) **Arguments in Support:** The sponsor of this bill, SC Metro, writes in support:

In 2022 and 2023, METRO worked with communities across its service territory to plan a network of bus service – dubbed “Reimagine METRO” – that is faster, more frequent, and reliable in areas of high transit demand...Implementation of Reimagine METRO ...was funded by a one-time infusion of \$28.3 million from the Santa Cruz County Transportation Commission’s share of Senate Bill 125 (2023) funding. Unfortunately, this one-time funding will run out in 2026. To prevent significant service and jobs cuts after this funding runs out, METRO must secure additional state or local funding.

In 2026, in response to METRO’s fiscal challenges, local stakeholders formed “Friends of METRO,” a coalition of residents committed to running a “citizen’s initiative” to generate additional local funding for METRO through a 2026 ballot initiative. While METRO welcomes this citizen’s initiative, we have observed that, under current law, it is unclear how the Friends of METRO can place the initiative on the ballot...This bill would address this uncertainty by adding election procedures to METRO’s authorizing statutes.

- 7) **Arguments in Opposition:** In their joint letter of opposition, the opponents of this bill write:

AB 1919 would make it easier to enact a transactions and use tax in an area that already has a very high tax burden. This tax is among the most regressive forms of taxation, and has an especially heavy impact on low-income Californians because it increases the cost of necessities... Santa Cruz County is the least affordable area in the entire country for renters, according to the annual “Out of Reach” report released in 2025, and a tax increase on everyday items would only make things worse...

Unlike the federal government, state and local agencies must pay sales tax on their purchases. As more sales taxes are enacted, the cost of government operations – including schools, universities, and municipal services – will rise, diverting resources away from core public functions.

The opponents go on to argue that *Upland* did not lower the threshold for approval of local special taxes imposed through the initiative process and claim this bill would lower the threshold for passing special taxes in SC Metro. Committee staff notes, however, that nothing in this bill affects the vote threshold for approval of initiative measures in SC Metro. Rather, this bill merely specifies that special taxes may be adopted by initiative in SC Metro.

If opponents believe that local jurisdictions are misapplying *Upland*, nothing in this bill prevents them from challenging those interpretations in court. However, as noted above, the California Supreme Court has repeatedly declined to review Appellate Court decisions that concluded that local special tax initiatives are not subject to the two-thirds vote requirement.

- 8) **Previous Legislation:** SB 512 (Pérez) of 2025, would have specified that voters of a district may impose TUTs for transportation purposes by a citizen’s initiative. SB 512 was vetoed by Governor Newsom. In his veto message, the Governor wrote, “This bill reaffirms that jurisdictions may use the initiative process to impose transactions and use taxes for transportation purposes. The courts have consistently and repeatedly affirmed this existing authority; therefore, this bill is unnecessary.”

SB 63 (Wiener), Chapter 740, Statutes of 2025, established the Public Transit Revenue Measure District including Alameda, Contra Costa, Santa Clara, and San Mateo Counties and the City and County of San Francisco, and specified that special taxes may be imposed through the initiative process in that district, among other provisions.

SB 904 (Dodd), Chapter 866, Statutes of 2024, specified that special taxes may be imposed through the initiative process in the Sonoma-Marín Area Rail Transit District, among other provisions.

- 9) **Related Legislation:** AB 2484 (Alvarez), which is pending in this Committee, specifies that special taxes may be imposed through the initiative process in the San Diego Metropolitan Transit System, among other provisions.
- 10) **Double Referral:** This bill is double-referred to the Assembly Local Government Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Santa Cruz Metropolitan Transit District (Sponsor)
California Safety and Legislative Board of the Sheet Metal, Air, Rail, and Transportation
Workers, SMART – Transportation Division (SMART – TD)

Opposition

California Association of Realtors
California Taxpayers Association
Howard Jarvis Taxpayers Association

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