

ASSEMBLY THIRD READING
AB 1919 (Pellerin and Addis)
As Introduced February 12, 2026
2/3 vote. Urgency

SUMMARY

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

Major Provisions

- 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) Requires SC Metro to reimburse Santa Cruz County for the incremental costs incurred by the county for submitting a TUT measure to the voters, as specified.
- 3) Requires SC Metro's legal counsel to prepare the impartial analysis of a TUT measure in the district, 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.
- 4) Contains an urgency clause, allowing this bill to take effect immediately upon enactment.

COMMENTS

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.

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. Existing state law provides for an initiative process in some, but not all, districts. Among other provisions, 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. SC Metro board members are appointed, rather than elected, but state law provides for submission of a proposed TUT tax ordinance to SC Metro voters and required voter approval to form SC Metro. Accordingly, it is somewhat unclear whether the initiative process is available in SC Metro under existing law. 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.

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 a

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 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.

Since *Upland* and based on the logic of the Supreme Court in that case, several lower courts have been asked to consider whether local special taxes imposed through the initiative process require a two-thirds vote for approval pursuant to Article XIII C, Section 2 of the California Constitution. 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.

Opponents of this bill argue that, notwithstanding *Upland*, the California Constitution requires local special taxes to be approved by a two-thirds vote of the voters, regardless of whether the measure is placed on the ballot by a governing body or through an initiative. Nothing in this bill, however, 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.

Please see the policy committee analysis for a full discussion of this 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."

Arguments in Support

One of the co-sponsors of this bill, SC Metro, writes in support, "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. Current law permits electors of local jurisdictions with statutorily defined elections procedures (e.g. cities, counties, and some special districts) to exercise initiative powers; however, current law does not explicitly permit electors of local jurisdictions without

statutorily defined elections procedures, like METRO, to exercise initiative powers and the Courts have provided no further clarity on this matter. This bill would address this uncertainty by adding election procedures to METRO's authorizing statutes."

Arguments in Opposition

In a joint letter of opposition to this bill, the California Association of Realtors, California Taxpayers Association, and Howard Jarvis Taxpayers Association write, "By lowering the threshold for passage of a tax increase in the countywide Santa Cruz Metropolitan Transit District, 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. As inflation, tariffs, shipping costs and other factors drive up the prices of goods, the sales tax burden grows in tandem, further straining household budgets and exacerbating economic inequality. 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."

FISCAL COMMENTS

According to the Assembly Appropriations Committee, to the extent this bill requires a qualified TUT measure be put on the ballot, with resultant workload costs for the Santa Cruz County elections official, this bill may create a state-mandated local program. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, Santa Cruz County could seek reimbursement from the state. However, since SC Metro must reimburse Santa Cruz County for the costs of administering the election, these costs are likely non-reimbursable by the state. Additionally, costs incurring to SC Metro are also likely non-reimbursable by the state because SC Metro requested this legislation within the meaning of Section 17556 of the Government Code and Section 6 of Article XIII B of the California Constitution.

VOTES

ASM ELECTIONS: 6-2-0

YES: Pellerin, Addis, Berman, Elhawary, Solache, Stefani

NO: Gallagher, Johnson

ASM LOCAL GOVERNMENT: 8-2-0

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

NO: Ta, Johnson

ASM APPROPRIATIONS: 9-4-2

YES: Wicks, Arambula, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Solache

NO: Hoover, Dixon, Ta, Tangipa

ABS, ABST OR NV: Calderon, Muratsuchi

UPDATED

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