



- b) The total tax rate under this subdivision is set at a rate of no more than 0.5%.
- 5) Specifies that a TUT rate imposed shall not be considered for purposes of the combined rate limit.
  - 6) 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.
  - 7) Requires a state initiative measure to receive a majority of votes cast thereon to take effect.
  - 8) 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.
  - 9) 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.
  - 10) 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.
  - 11) 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.

**This bill:**

- 1) Provides that the special taxes authorized in SC Metro Law may also be imposed by qualified voter initiative, including a qualified voter initiative for which a petition has been circulated on or after January 1, 2026.
- 2) Specifies that, if the SC Metro Board or a qualified voter initiative proposes a measure pursuant to SC Metro Law, the special election shall be consolidated with a statewide election by the board of supervisors of Santa Cruz County and the measure shall be submitted to the voters of Santa Cruz County.
- 3) Provides that, for the purpose of placement of a measure on the ballot, SC Metro is a “district” as defined in existing law. Except as otherwise provided, a measure proposed by the SC Metro Board or by a qualified voter initiative that requires voter approval shall be submitted to the voters of Santa Cruz County, as determined by SC Metro, in accordance with the provisions of the Elections Code applicable to districts, as specified.
- 4) Specifies that for any election at which the SC Metro Board or a qualified voter initiative proposes a measure pursuant to SC Metro Law, SC Metro shall reimburse Santa Cruz County for the incremental costs incurred by the county elections official related to submitting the measure to the voters with any eligible funds transferred to the district.
- 5) Provides that “incremental costs” includes all of the following:
  - a) The cost to prepare, review, and revise the impartial analysis of the measure.
  - b) The cost to prepare a translation of ballot materials into a language other than English by the county.
  - c) The additional costs that exceed the costs incurred for other election races or ballot measures, if any, appearing on the same ballot in Santa Cruz County, including both of the following:
    - i) The printing and mailing of ballot materials.
    - ii) The canvass of the vote regarding the measure pursuant to existing law.

- 6) Specifies that legal counsel for the SC Metro board shall prepare an impartial analysis of the measure. The impartial analysis prepared by the legal counsel for the SC Metro board shall be subject to review and revision by the county counsel.
- 7) Requires the county elections official for Santa Cruz County to serve as the elections official of SC Metro for purposes of administering the ballot measure process and any election for the purposes set forth in SC Metro Law.
- 8) Specifies that this bill applies to any measure proposed by the SC Metro Board on or after January 1, 2026, or by a qualified voter initiative for which a petition has been circulated on or after January 1, 2026.
- 9) Provides that if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies and school district for those costs shall be made.
- 10) Contains an urgency clause.

**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 will occur. 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) *Who is SC Metro?* SC Metro was established in 1968 for the purpose of providing public, fixed route bus service in Santa Cruz County. Additionally, they assumed operation of paratransit services in 2004. Specifically, SC Metro operates 119 buses on 22 routes throughout Santa Cruz County. The service

connects Santa Cruz, Capitola, Watsonville, and Scotts Valley, as well as the unincorporated areas of Aptos, Soquel, Live Oak, Bonny Doon, Davenport, and the San Lorenzo Valley in the Santa Cruz Mountains.

In addition to operating bus and paratransit service, SC Metro also operates an express commuter bus service connecting downtown San Jose, as well as several Bay Area transit systems. According to SC Metro, for 2026 ridership is on track to exceed 5.5 million annual trips. SC Metro is governed by a Board of Directors consisting of eleven voting members and two ex-officio members.

SC Metro currently receives a 0.5% sales tax, imposed in 1978, on all taxable sales in Santa Cruz County, which generates roughly \$27 million annually. Additionally, in November 2016, Santa Cruz County voters approved Measure D, a 0.5% sales tax measure designed to fund a comprehensive package of transportation improvements in the county. SC Metro receives 16% of Measure D. Specifically, Measure D funds generates roughly \$4 million annually for SC Metro operations to help stabilize fixed-route bus and paratransit service levels. According to SC Metro, sales tax revenues account for approximately 45% of their operating revenue.

- 3) *Transit Fiscal Cliff.* With the onset of the COVID-19 pandemic during the first half of 2020, transit ridership plunged from 50% to as much as 94% in California. In an effort to stave off financial losses from declining transit ridership, the federal government provided relief for transit operators across the country through three successive COVID relief packages: Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Appropriations Act (CRRSSA), and American Rescue Plan (ARP). As federal pandemic relief funds are expended, transit operators are facing fiscal emergencies.

To help support public transit throughout the state, in June 2023 the Legislature passed and Governor Newsom signed into law the 2023-24 State Budget and accompanying trailer bill, SB 125 (Committee on Budget and Fiscal Review, Chapter 125, Statutes of 2023), which provides \$5.1 billion for transit agencies to use for both capital and operating expenditures. Specifically, \$4 billion (General Fund) will be allocated to Regional Transportation Planning Agencies (RTPAs) through a population-based formula. The additional \$1.1 billion (Greenhouse Gas Reduction Fund) will be allocated via existing formulas and is available for the purchase of zero-emission buses or overall operating costs. Funding is administered by the California State Transportation Agency (CalSTA) through the Transit and Intercity Rail Capital Program (TIRCP), with specific requirements for short and long-term financial plans from transit

operators and the collection of transit data. To date, SC Metro has received \$28.3 million in SB 125 funds.

- 4) *Reimagine METRO*. According to SC Metro, they have recovered all of their pre-COVID ridership and have actually added riders since 2019. Specifically, SC Metro estimates 5.5 million riders for 2026, which is nearly 450,000 more than pre-pandemic levels. SC Metro attributes this success to the Reimagine METRO program.

Reimagine METRO launched in 2023, after working with communities across SC Metro's service territory to plan a network of bus services that would be faster, more frequent, and reliable in areas of high transit demand. The goal was to test whether better frequency, stronger regional connections, and more useful service would increase ridership and community access.

Reimagine METRO Phase 1, which began in December 2023, implemented new, higher frequency routes from Watsonville to Santa Cruz. Reimagine METRO Phase 2, which began in March 2024, expanded SC Metro's network of frequent routes and increased service by 35%. The program has been successful, with overall ridership up and youth ridership growing significantly.

Reimagine METRO Phase 1 and 2 were funded with SC Metro's SB 125 funds, which run out this year. To retain current service levels, and avoid job cuts, SC Metro is exploring ways to secure additional, predictable operations funding.

- 5) *What is Transaction and Use Tax?* 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, 2026, local agencies impose 486 district taxes for general or special purposes: 408 imposed citywide, 72 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: the Bay Area Rapid Transit (BART) District, which covers Alameda, Contra Costa, and San Francisco; the Peninsula Corridor Joint Powers Board (Caltrain), which covers San Francisco, San Mateo, and Santa Clara counties; and Sonoma-Marín Rail Transit District (SMART), which includes Sonoma and Marin counties.

6) *Upland and Citizens' Initiatives*. On August 28, 2017, the California Supreme Court entered a decision in *California Cannabis Coalition v. City of Upland*, 3 Cal. 5<sup>th</sup> 924, which held that the requirement in Article XIII C, Section Two, subdivision (b) of the California Constitution that general taxes be submitted to the electorate at a regularly scheduled general election where members of the local governing board are subject to election did not apply to taxes proposed by voter initiative. Groups seeking to impose special taxes by majority vote by initiative soon argued that if the Court held that the general election requirement in subdivision (b) did not apply to initiatives, then neither did the 2/3 vote requirement for special taxes in subdivision (d). At least seven such taxes imposed by voters in various local agencies across the state have been approved, and no court thus far has invalidated them.

7) *What does Upland mean for SC Metro and other transportation districts?* 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.

Existing law does already provide for submission of a proposed TUT 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.

To attempt to clear any confusion, last year the Legislature approved SB 512 (Pérez, 2025), which would have expanded the types of jurisdictions that may impose TUTs for transportation purposes by a voter initiative. SB 512 was vetoed by Governor Newsom, stating, “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.”

- 8) *AB 1919 resolves any ambiguity about the initiative process for SC Metro.* AB 1919 specifies that a TUT may be imposed by a qualified voter initiative for a petition that has been circulated on or after January 1, 2026. As detailed above, current elections law appears to not allow SC Metro to provide for an initiative process.

Additionally, the bill requires SC Metro to reimburse Santa Cruz County for the incremental costs incurred by the county elections official related to submitting the measure to the voters.

A group called the Friends of Santa Cruz Metro is currently seeking to place an initiative measure on the ballot that proposes to implement a sales tax measure aimed to supporting SC Metro. According to the Santa Cruz County Clerk, the petition was cleared for circulation and to gather signatures on February 20, 2026. The proponents have until August 19, 2026, to submit 10,417 signatures in order for the measure to be considered at a future statewide election, likely 2028.

As proposed, the initiative would generate nearly \$27 million annually and the funds would be used to continue the service enhancements of Reimagine METRO, as detailed above.

- 9) *We’ve done this before.* The Legislature has, on numerous occasions, granted specific statutory authority to exceed the general 2% rate limitation. Specifically, such authority has been granted to the Counties of Alameda, Contra Costa, Humboldt, Los Angeles, Monterey, San Mateo, Santa Clara, Solano, Sonoma, and Ventura. This authority has also been granted to the cities of Alameda, Berkeley, Campbell, El Cerrito, Lancaster, Palmdale, Pinole,

Santa Fe Springs, any cities in the County of Solano, Victorville, and to BART and Caltrain.

Additionally, in recent years, the Legislature has authorized specific transportation districts to facilitate the imposition of a revenue measure through a qualified voter initiative. For example, SB 904 (Dodd, Chapter 866, Statutes of 2024) for SMART in Sonoma and Marin Counties, and SB 63 (Wiener, Chapter 740, Statutes of 2025) for a regional measure for San Francisco Bay Area transit.

- 10) *Support and opposition.* Writing as the co-sponsor of the bill, the California Safety and Legislative Board of the Sheet Metal, Air, Rail, and Transportation Workers, SMART – Transportation Division (SMART – TD) states, “SMART – TD represents hundreds of bus operators at Santa Cruz Metropolitan Transit District (SCMTD). SCMTD is at a critical moment. Through its Reimagine SCMTD program, the agency now provides frequent service - every 20 minutes or better – within one-half mile of approximately 100,000 count residents. SCMTD’s Youth Cruz Free program has driven a 400% increase in student ridership.

“Despite these achievements, METRO is facing reductions in multiple funding sources while operating costs such as fuel and insurance continue to rise. Without a new local funding measure, SCMTD would be forced to reduce service by approximately 33%, eliminate the Youth Cruz Free program and lay off more than 100 employees earning livable wages.”

Further, “AB 1919 creates a statutorily defined election procedures for METRO to allow voters to propose a special tax through a qualified voter initiative.”

Writing in opposition, a coalition of the California Taxpayers Association, the California Association of Realtors, and the Howard Jarvis Taxpayers Association, detail numerous reasons for opposing the bill, including that it makes regressive transportation taxes more prevalent, it harms California workers, increases the cost of providing government services, undermines the two-thirds vote requirement for special taxes, misapplies the Upland decision, and encourages strategic manipulation of elections and erodes public trust.

- 11) *Double referral.* The bill was double referred to the Senate Elections and Constitutional Amendments Committee, where it passed out on a vote of 4-1 at their June 16, 2026, hearing.

**RELATED/PREVIOUS LEGISLATION:**

**AB 2484 (Alvarez)** – Authorizes the San Diego Metropolitan Transit System (MTS) to impose a TUT that exceeds the 2% statutory limitation, and specifies that the TUT may be imposed by a qualified voter initiative. *AB 2484 is pending in this committee.*

**SB 762 (Arreguín)** – Authorizes the City of Hercules to impose a TUT, by ordinance or voter initiative, up to 1% even if it exceeds the 2% cap. *This bill is pending on the Assembly Floor.*

**SB 1408 (Arreguín)** – Authorizes the Contra Costa Transportation Authority (CCTA) to impose or extend a TUT for the support of countywide transportation programs at up to 1% even if it exceeds the combined countywide rate limit of 2%. *This bill is pending in the Assembly Revenue and Taxation Committee.*

**AB 1768 (Bryan, Chapter 11, Stutes of 2026)** – Allows Los Angeles County to impose a TUT of up to .5%, even if it exceeds the 2% cap. Allows Contra Costa County to impose a TUT of up to 0.625%, even if it exceeds the 2% cap.

**SB 63 (Wiener, Chapter 740, Statutes of 2025)** – Among other provisions, created the Transportation Revenue Measure District and authorized the District to impose a retail TUT and generally in the amount of 0.5%, to be administered by MTC, for a duration of 14 years, to be placed on the November 2026 ballot to fund transit operations for Bay Area transit operators.

**SB 333 (Laird, Chapter 750, Statutes of 2025)** – Would authorize the San Luis Obispo Council of Governments to impose a district tax by ordinance of up to 1% even if it exceeds the 2% cap.

**SB 512 (Pérez, 2025)** – Would have expanded the types of jurisdictions that may, by an initiative, impose TUTs for transportation purposes. *This bill was vetoed by Governor Newsom.*

**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.

**AB 3259 (Wilson, Chapter 852, Statutes of 2024)** – Allowed the cities of Campbell and Pinole, the Solano County Board of Supervisors and a city council in Solano County to impose a TUT, by ordinance or voter initiative, of up to 0.5% even if it exceeds the 2% cap.

**AB 2443 (Carrillo, Chapter 961, Statutes of 2024)** – Authorized the cities of Lancaster, Palmdale, and Victorville to impose a TUT that exceeds the 2% statutory limitation.

**AB 2431 (Mathis, 2024)** – Would have authorized a city, county, or city and county to impose a TUT at an unspecified rate that exceeds the 2% statutory limitation if certain conditions are met. *This bill died in the Assembly Local Government Committee.*

**SB 862 (Laird, Chapter 296, Statutes of 2023)** – Authorized the board of directors of the Santa Cruz Metropolitan Transit District to impose a retail TUT of up to .5% after January 1, 2024, that is excluded from the 2% combined rate limit, if certain conditions are met.

**SB 335 (Cortese, Chapter 391, Statutes of 2023)** – Allows the Santa Clara County Board of Supervisors to propose a TUT of up to .625% in Santa Clara County that exceeds the 2% cap and shifted the authority to impose a TUT for countywide transportation purposes in Ventura County that exceeds the 2% cap from the Ventura County Transportation Commission to the County.

**AB 1679 (Santiago, Chapter 731, Statutes of 2023)** – Authorized Los Angeles County to impose a TUT of up to .5% that exceeds the 2% statutory limitation, as specified.

**AB 1385 (Garcia, Chapter 578, Statutes of 2023)** – Raised the maximum TUT that RCTC may impose, from 1% to 1.5%.

**AB 1256 (Wood, Chapter 572, Statutes of 2023)** – Authorized Humboldt County to impose a TUT of up to 1% that exceeds the 2% statutory limitation.

**AB 2453 (Bennett, Chapter 286, Statutes of 2022)** – Authorized the Ventura County Transportation Commission to impose a TUT of no more than 0.5% that does not count against the cap in Ventura County.

**SB 1349 (Glazer, Chapter 369, Statutes of 2020)** – Permitted Contra Costa County, and cities within Contra Costa County, additional legal flexibility to impose local TUTs.

**AB 723 (Quirk, Chapter 747, Statutes of 2019)** – Provided that neither the tax imposed by BART nor the tax imposed by the Alameda County Transportation Commission counts against the 2% cap, and made a similar change in Santa Cruz County.

**SB 142 (Deddeh, Chapter 786, Statutes of 1987)** – Local Transportation Authority and Improvement Act provided a process for individual counties to create a local transportation authority and implement local sales taxes of up to 1% for transportation purposes.

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

**POSITIONS:** (Communicated to the committee before noon on Wednesday, June 17, 2026.)

**SUPPORT:**

Santa Cruz Metropolitan Transit District (sponsor)  
American Council of Engineering Companies of California  
California Legislative Central Coast Caucus  
California Safety and Legislative Board, Smart – Transportation Division (Smart - TD)  
Eden Housing

**OPPOSITION:**

California Association of Realtors  
California Taxpayers Association  
Howard Jarvis Taxpayers Association

**-- END --**