

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON ELECTIONS
Gail Pellerin, Chair
AB 2484 (Alvarez) – As Amended March 24, 2026

SUBJECT: San Diego Metropolitan Transit System: transactions and use tax: voter initiatives.

SUMMARY: Allows a retail transactions and use tax (TUT) ordinance to be adopted through the initiative process in the San Diego Metropolitan Transit System (SD MTS). Provides that a TUT imposed in SD MTS shall not count towards the county's limit on TUT taxes. Specifically, **this bill:**

- 1) Permits a TUT authorized under existing law in SD MTS to be imposed by a qualified voter initiative, as specified.
- 2) Provides that a TUT imposed in SD MTS shall not be considered for purposes of an existing law that limits the combined rate of all TUT taxes imposed in a county to 2%.
- 3) Contains various findings and declarations about SD MTS, its services and operations, and the need and demand for public transit in San Diego County.
- 4) Makes technical and conforming changes.

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) Establishes the SD MTS in the following areas of San Diego County:
 - a) The Cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, and Santee.
 - b) The unincorporated area of San Diego County, except those areas included within the North San Diego County Transit Development Board, as specified. (Public Utilities Code §§120050, 120054)
- 7) Provides that the SD MTS board consists of 15 members, as follows:
 - a) One member of the San Diego County Board of Supervisors, appointed by the board of supervisors.
 - b) One member of each city council appointed individually by the city councils of the Cities of Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee.
 - c) Four members of the City Council of the City of San Diego, one of whom shall be the mayor, and two members of the City Council of the City of Chula Vista, one of whom shall be the mayor, each appointed by their respective city council. (Public Utilities Code §120050.2)
- 8) Authorizes SD MTS to maintain and operate public transit systems and related transportation facilities and services as it deems necessary, as specified. (Public Utilities Code §120264)
- 9) Permits the SD MTS board to adopt a TUT ordinance applicable to the entirety of, or a portion of, the jurisdiction of SD MTS. Provides that such a tax ordinance shall take effect at the close of the polls on the day of the election at which the ordinance is adopted by the voters. Provides that a maximum TUT tax rate of one-half of one percent may be imposed in SD MTS. (Public Utilities Code §§120480, 120485)
- 10) Requires San Diego County to conduct an election called by the SD MTS board and provides that such an election shall be called and conducted in the same manner as existing law provides for the conduct of elections by a county. (Public Utilities Code §120482)
- 11) Provides that a majority of the members of the SD MTS board constitutes a quorum for the transaction of business. Provides that all official acts of the board require the affirmative vote of the majority of members of the board present, except as specified, but provides that after a

vote of the members is taken, a weighted vote may be called by the members of any two jurisdictions, as specified. (Public Utilities Code §120102.5)

- 12) Provides that the combined rate of all taxes that may be imposed in accordance with the TUT Law in a county shall not exceed 2%. (Revenue and Taxation Code §7251.1)

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

COMMENTS:

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

In Assembly District 80 and across San Diego County, the services provided by MTS are not optional, they are essential. In Fiscal Year 2025 alone, MTS averaged more than 250,000 weekday trips, with nearly 78% of riders relying on transit as their primary means of getting around. These are working families, students, and seniors who depend on transit every single day. We are also seeing a significant rise in youth ridership, which has increased by 71% between 2022 and 2025, demonstrating that younger generations are choosing public transit and reinforcing the need to invest in a system that meets their future.

If we do not address our public transit infrastructures growing budget deficit, we risk severely limiting access to jobs, education, and essential services for the very communities that rely on it most.

- 2) **SD MTS Background:** According to information from SD MTS, the system was created effective January 1976 to provide policy setting and management coordination of the public transportation system in the San Diego metropolitan area. This service area encompasses approximately 3 million people residing in an area of about 570 square miles in urbanized areas of San Diego County, as well as the rural parts of eastern San Diego County, totaling 3240 square miles.

SD MTS is an umbrella agency. It owns the assets of San Diego Trolley, Inc. (SDTI) and San Diego Transit Corporation (SDTC), the area's two largest transit operators. SDTI operates five light rail service routes, and SDTC operates 25 bus routes. In addition to the bus routes operated by SDTC, SD MTS contracts with outside parties for the operation of 68 fixed-route bus lines and paratransit services. SD MTS also owns the assets of the San Diego & Arizona Eastern Railway Company, which owns rail track and right-of-way; it contracts with other rail road services to provide freight service over that right-of way.

- 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. Three of those conditions clearly do not apply to SD MTS. However, it appears that one of the other two conditions is applicable to SD MTS, while it is less clear whether the fifth condition applies. Accordingly, it appears that the initiative process is not available under existing law to voters in SD MTS.

- a) **Districts That Allow Board Members to Cast More than One Vote Per Member:** State law provides that the initiative process is not available in a district “in which the directors are empowered to cast more than one vote per director when acting on any matter.” While SD MTS generally operates under a procedure where each board member casts a single vote, the laws governing its operation also allow board members to call for a weighted vote after the initial vote is taken on an item, subject to certain conditions. In the case of a weighted vote, the board representatives from the City of San Diego collectively control 50% of the total number of votes, while the remaining 50% of the votes are split among the other jurisdictions in SD MTS, according to the population of those jurisdictions. Approval under this weighted vote procedure requires at least 51% of the total weighted vote and approval of at least three jurisdictions to supersede the original action of the board.

Because the laws governing SD MTS allow for board members to cast more than one vote per member in certain circumstances, it appears that the district initiative procedure provided for in existing law is not available in that district.

- b) **Districts Without a Procedure for Elections:** State law also 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 SD MTS voters and requires San Diego County to conduct an election called by the SD MTS board for that purpose. It could be argued that these provisions are “a procedure for elections.” On the other hand, the board of directors of SD MTS is appointed, rather than elected, so SD MTS does not hold regularly scheduled elections for the purpose of electing board members. That fact may support an argument that the laws governing SD MTS do *not* provide a procedure for elections.

By expressly providing that the voters in SD MTS may impose a TUT through the initiative process, this bill would override the existing limitations in the Elections Code that otherwise make the initiative process unavailable in that district.

6) **Arguments in Support:** The sponsor of this bill, the San Diego Metropolitan Transit System, writes in support:

Since the COVID-19 pandemic, MTS has recovered more than 95 percent of its pre-COVID ridership and now ranks among the top transit systems nationwide for ridership recovery. Despite this progress, MTS is facing an impending fiscal cliff driven by pandemic-related revenue losses, rising workforce expenses, higher operating costs, flat sales tax revenues, and limited local funding. MTS has developed a comprehensive financial sustainability strategy to delay its fiscal cliff and allow for more time to seek and pursue additional funding.

This legislation provides a critical tool to allow local voters the opportunity to determine whether to invest in a sustainable future for transit in San Diego. Importantly, the bill:

- Confirms that the imposition of a voter-approved retail transactions and use tax of up to one-half of one percent dedicated exclusively to transportation and public transit purposes, as authorized by Section 120480 of the Public Utilities Code (Section 120480), may also be imposed by a qualified voter initiative.
- Excludes the Section 120480 voter-approved tax rate from being considered for purposes of the combined rate limit under Section 7251.1 of the Revenue and Taxation Code.

7) **Arguments in Opposition:** In a joint letter of opposition, the California Association of Realtors and the California Taxpayers Association write:

AB 2484 would make it easier to enact a transactions and use tax in the San Diego Metropolitan Transit System (from two-thirds to a bare majority), 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... The city of San Diego ranked as the ninth most expensive city in the United States in a February 2026 study commissioned by SelfStorage.com, while a 2025 Chapman University study ranked the San Diego market as “impossibly unaffordable.” 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 SD MTS. Committee staff notes, however, that nothing in this bill affects the vote threshold for approval of initiative measures in SD MTS. Rather, this bill merely specifies that special taxes may be adopted through the initiative process in SD MTS.

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 1919 (Pellerin), which was approved by this committee by a 6-2 vote on March 25, 2026, and is pending in the Assembly Local Government Committee, specifies that special taxes may be imposed through the initiative process in the Santa Cruz Metropolitan Transit District, as specified.

- 10) **Double Referral:** This bill is double referred to the Assembly Local Government Committee. This analysis focuses on the policy issues in the jurisdiction of the Assembly Elections Committee. Policy issues relevant to the jurisdiction of the Assembly Local Government Committee will be more thoroughly addressed by that committee.

REGISTERED SUPPORT / OPPOSITION:

Support

San Diego Metropolitan Transit System (Sponsor)
Circulate Planning & Policy
City of La Mesa
Environmental Health Coalition

IBEW Local Union 465
Logan Heights Community Development Corporation
North County Transit District
Streets Are For Everyone (SAFE)5 individuals

Opposition

California Association of Realtors
California Taxpayers Association

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