

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 2484 (Alvarez) – As Amended March 24, 2026

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

**SUMMARY:** Authorizes the San Diego Metropolitan Transit System (MTS) to impose a transactions and use tax (TUT) that exceeds the 2% statutory limitation, and specifies that the TUT may be imposed by a qualified voter initiative. Specifically, **this bill:**

- 1) Requires San Diego County to conduct an election called by the MTS board in the same manner as provided by law for the conduct of elections by a county.
- 2) Provides that, notwithstanding any other law, the TUT ordinance imposed by MTS may also be imposed by a qualified voter initiative pursuant existing law, as specified.
- 3) Specifies that MTS may impose a .5% TUT that, in combination with all taxes imposed, exceeds the 2% limit established by existing law.
- 4) Provides that the tax rate established pursuant to 3), above, shall not be considered for purposes of the 2% combined rate limit established in existing law.
- 5) Makes numerous technical and conforming changes.
- 6) Provides that if the Commission on State Mandates determines that this bill contains costs mandated by the State, reimbursement to local agencies and school districts for those costs shall be made.
- 7) Contains findings and declarations to support its purposes.

**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) 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)
- 7) Establishes the San Diego Metropolitan Transit Development Board (MTDB), also known as MTS [Public Utilities Code (PUC) § 120000 et. Seq.].
- 8) Authorizes the MTS board, subject to the approval of the voters within the portion of the county to which the tax would apply, to impose a maximum tax rate of .5% pursuant to existing law. The board shall not levy the tax at a rate other than .5% or .25% of 1% unless specifically authorized by the Legislature (PUC § 120485).
- 9) Specifies that a TUT ordinance applicable to the entirety of, or a portion of, the incorporated and unincorporated territory within the area of the MTS board shall be imposed by the MTS board in accordance with 1), above, the Transactions and Use Tax Law, and Section 2 of Article XIII C of the California Constitution. The tax ordinance shall take effect at the close of the polls on the day of election at which the proposition is adopted. The initial collection of the transactions and use tax shall take place in accordance with existing law (PUC § 120480).

**FISCAL EFFECT:** This bill is keyed fiscal and contains a state-mandated local program.

**COMMENTS:**

- 1) **Bill Summary and Author’s Statement.** This bill allows MTS to impose a TUT that exceeds the 2% statutory limitation, and it specifies that the TUT may be imposed by a qualified voter initiative. MTS is the sponsor of this 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) **San Diego Metropolitan Transit System.** MTDB was created by the Legislature in 1975 [SB 101 (Mills), Chapter 294] for the purpose of planning and implementing transit service in portions of San Diego county and is responsible for allocating certain transit funds within its area of jurisdiction. In 2005, MTDB changed its name to MTS. MTS currently has a 15 member board appointed as follows: four by the City of San Diego; two by the City of Chula Vista; one by each of the cities of Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee; and one by the County of San Diego.

MTS provides about 3 million people with light rail, bus, and freight services. According to MTS, it generates 80 million annual passenger trips or 250,000 trips each weekday. To handle the demand, the agency schedules 7,000 trips each weekday, and has more than 160 trolley cars and 750 buses in its fleet.

- 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 California Department of Tax and Fee Administration (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% as shown in the table below.

<b>Rate</b>	<b>Jurisdiction</b>	<b>Purpose/Authority</b>
3.9375%	State (General Fund)	State general purposes
1.0625%	Local Revenue Fund (2011 Realignment)	Local governments to fund local public safety services
0.50%	State (1991 Realignment)	Local governments to fund health and welfare programs
0.50%	State (Proposition 172 - 1993)	Local governments to fund public safety services
1.25%	Local (City/County) 1.00% City and County 0.25% County	City and county general operations Dedicated to county transportation purposes
<b>7.25%</b>	<b>Total Statewide Rate</b>	

Unless the purchaser pays the sales tax to the retailer, he or she is 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.

AB 464 (Mullin) of 2015 would have increased the maximum combined rate of all TUTs that may be levied by authorized entities within a county from 2% to 3%. This bill was vetoed by Governor Brown stating, "This bill would raise, on a blanket basis, the limit on local transactions and use tax for all counties and cities from two percent to three percent. Although I have approved raising the limit for individual counties, I am reluctant to approve this measure in view of all the taxes being discussed and proposed for the 2016 ballot."

State law allows cities, counties, and specified special districts to increase the sales and use tax applicable in their jurisdiction, also known as district or transactions and use taxes. 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:

- a) The Bay Area Rapid Transit (BART) District, which covers Alameda, Contra Costa, and San Francisco counties.
- b) The Peninsula Corridor Joint Powers Board (CalTrain), which covers San Francisco, San Mateo, and Santa Clara counties.
- c) The Sonoma-Marin Rail Transit District, which includes Sonoma and Marin counties.

- 5) **San Diego County TUTs.** San Diego County has 14 TUTs levied within its borders—one countywide tax, and 13 city-wide taxes. The current TUT rate in the cities of Chula Vista, Del Mar, Escondido, Imperial Beach, Lemon Grove, National City, San Marcos, and Solana Beach are 8.75%.
- 6) **Upland.** 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. As discussed in a March 7, 2018, joint oversight hearing, “*Uproar over Upland? Assessing the California Supreme Court’s Decision*,” groups seeking to impose special taxes by majority vote by initiative argued if the Court held 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). Numerous such taxes imposed by voters in various local agencies across the state have been approved, and committee staff is not aware of any court that has thus far has invalidated them.
- 7) **District Initiative Measures.** 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 do not apply to MTS. However, it appears that one of the other two conditions is applicable to 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 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 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 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 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 ordinance to MTS voters and requires San Diego County to conduct an election called by the 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 MTS is appointed, rather than elected, so MTS does not hold regularly scheduled elections for the purpose of electing board members. That fact may support an argument that the laws governing 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.

- 8) **Related Legislation.** AB 1768 (Bryan) allows Los Angeles County to impose a TUT of up to .5%, even if it exceeds the 2% cap. This bill is currently pending in this Committee

AB 1919 (Pellerin) specifies that special taxes may be imposed through the initiative process in the Santa Cruz Metropolitan Transit District (SC Metro) and establishes procedures for the placement of a retail transactions and use tax (TUT) ordinance on the ballot for the consideration of SC Metro voters. This bill is currently pending in this Committee

SB 762 (Arreguín) allows the City of Hercules to impose a TUT of up to 1%, even if it exceeds the 2% cap. This bill is currently pending at the Assembly Desk.

- 9) **Previous Legislation.** AB 618 (Stone) of 2019 would have permitted the Cities of Emeryville (Alameda County) and Scotts Valley (Santa Cruz County) to impose a tax of up to 0.25% that exceeds the 2% cap. 9.75AB 618 was vetoed with a message that stated, “The Cities of Emeryville and Scotts Valley have not yet reached the statewide cap of 2 percent, making it unclear why additional tax authority is needed.”

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 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 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.

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

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

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.

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 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 2431 (Mathis) of 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.

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

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. This bill is currently pending on the Senate Floor.

AB 761 (Addis), Chapter 706, Statutes of 2025, made changes to Monterey-Salinas Transit District's authority to impose a TUT.

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 333 (Laird), Chapter 750, Statutes of 2025, allowed the San Luis Obispo Council of Governments to impose a TUT by ordinance of up to 1% even if it exceeds the 2% cap.

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."

- 10) **Arguments in Support.** According to MTS, the sponsors of this bill, "MTS is a critical component of the San Diego region's transportation network, serving approximately three million residents across ten cities and portions of unincorporated San Diego County. MTS

connects communities to employment, education, healthcare, housing, special events, and binational economic opportunities. Public transit in San Diego is not only a mobility service, it is an economic engine, a climate solution, and a lifeline for working families.

“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.

“AB 2484 appropriately recognizes that local funding is essential to sustaining and improving transit service. Without additional resources, MTS will be forced to consider service reductions at a time when transit demand is rebounding and when San Diego is leading the state in housing production per capita. Robust transit service is necessary to support transit-oriented development and support continued housing growth.

“This legislation does not impose a tax. Rather, it empowers local voters to lead in the decision of whether to invest in a world-class transit system that meets the needs of residents, businesses, and visitors alike. The urgent pursuit of these statutory changes is warranted to ensure sufficient time for planning and preparation in advance of any local funding initiative effort.”

11) **Arguments in Opposition.** According to the California Association of Realtors and the California Taxpayers Association, “After comparing the costs of operating in California with the costs in other states, many employers have left our state in recent years. A Hoover Institution report found that from 2018 to 2022, at least 352 companies relocated their headquarters out of California – with many businesses citing the state’s tax burden as the deciding factor in their relocation. Many other large employers have left since that report was released. The relocation of these companies and their employees to lower-cost states has a major impact on state and local tax revenue, causes unemployment for workers who cannot move to the new location, and is a sign that California must find ways to be more competitive. AB 2484 takes a large step in the wrong direction, paving the way for additional taxes that will encourage more employers to move workers and investments to other states.

“...Since the passage of Proposition 13 in 1978, California’s Constitution has required a two-thirds vote of the electorate to approve local special taxes – those earmarked for specific

purposes. This safeguard was reaffirmed by Proposition 218 in 1996, which extended the two-thirds vote requirement to all local governments and clarified that any new or increased local tax requires voters' approval. These provisions were designed to promote affordability and ensure broad public consensus before imposing new costs on Californians.

“...This bill would codify and expand a misinterpretation of the California Supreme Court's 2017 decision in *California Cannabis Coalition v. City of Upland*, a ruling that addressed only the timing of elections for citizen initiatives and did not alter the substantive vote thresholds for tax approval. The Supreme Court declined to comment on whether such action would be illegal, thus creating ambiguity and uncertainty. Legal experts have consistently interpreted the decision as preserving the two-thirds vote requirement for special taxes, regardless of whether a measure is placed on the ballot by a governing body or through a citizens' initiative.

“Despite this, some local governments have exploited the ambiguity by advancing tax measures through initiatives to bypass the two-thirds threshold. AB 2484 would codify this tactic, allowing transportation-related special taxes in San Diego County to be enacted with a simple majority vote, contrary to the intent of voter-approved Propositions 13 and 218.

“...AB 2484 invites local officials and interest groups to use the initiative process to impose taxes that otherwise would be rejected by voters under the constitutionally required two-thirds standard. This approach has been used in San Francisco, Los Angeles, and elsewhere, with elected officials acting in their “individual capacity” to sponsor tax initiatives to avoid the appropriate two-thirds threshold. This undermines the integrity of the electoral process and diminishes public confidence in local governance.

12) **Double-Referral.** This bill is double-referred to the Elections Committee, where it passed on 6-2 vote on April 15, 2026.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

San Diego Metropolitan Transit System [SPONSOR]  
Circulate Planning & Policy  
Environmental Health Coalition  
IBEW Local Union 465  
La Mesa Councilmember Patricia Dillard  
Logan Heights Community Development Corporation  
North County Transit District  
San Diego Councilmember, Joe Lacava  
San Diego Councilmember, Kent Lee  
San Diego Councilmember, Raul Campillo  
San Diego Councilmember, Sean Elo-Rivera  
San Diego Councilmember Stephen Whitburn  
San Diego Councilmember, Vivian Moreno  
Streets are For Everyone

### **Opposition**

California Association of Realtors  
California Taxpayers Association

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