

## ASSEMBLY THIRD READING

AB 2484 (Alvarez)

As Amended May 18, 2026

Majority vote

**SUMMARY**

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

**Major Provisions**

- 1) Permits a TUT authorized under existing law in MTS to be imposed by a qualified voter initiative, as specified.
- 2) Provides that a TUT imposed in 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) Requires MTS to reimburse San Diego County for the incremental costs incurred by the county for submitting a TUT measure to the voters, as specified.

**COMMENTS**

According to information from 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.

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 "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. Accordingly, it appears that the initiative process is not available under existing law to voters in MTS.

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. Rather, this bill merely specifies that special taxes may be adopted by initiative in MTS.

If opponents believe that local jurisdictions are misapplying *Upland*, nothing in this bill prevents them from challenging those interpretations in court.

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."

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

### **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."

### **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."

## **FISCAL COMMENTS**

According to the Assembly Appropriations Committee, to the extent this bill requires a qualified TUT measure election be held in the MTS, with resultant ballot and informational materials costs and staff workload costs for the San Diego 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, San Diego County could seek reimbursement from the state (General Fund (GF)). However, since MTS must reimburse San Diego County for the costs of administering the election, these costs are likely non-reimbursable by the state. Additionally, costs incurring to MTS are also likely non-reimbursable by the state because MTS 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, Bennett, 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: 11-4-0**

**YES:** Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

**NO:** Hoover, Dixon, Ta, Tangipa

## **UPDATED**

VERSION: May 18, 2026

CONSULTANT: Ethan Jones / ELECTIONS / (916) 319-2094

FN: 0002849