



- 5) Stipulates that any revenues derived from the tax be to supplement, not supplant, other transportation revenues available, as defined.
- 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) 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 the TUT ordinance imposed by MTS may also be imposed by a qualified voter initiative pursuant existing law, as specified.
- 3) Requires the MTS board to reimburse San Diego County for the incremental costs incurred by the county elections official related to submitting the measure to the voters.
- 4) Defines “incremental costs” to include 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 the County of San Diego, including the printing and mailing of ballot materials and the canvass of the vote regarding the measure pursuant to current law.
- 5) Specifies that MTS may impose a 0.5% TUT that, in combination with all taxes imposed, exceeds the 2% limit established by existing law.
- 6) Provides that the tax rate shall not be considered for purposes of the 2% combined rate limit established in existing law.
- 7) Makes numerous technical and conforming changes.
- 8) 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.
- 9) Contains findings and declarations to support its purposes.

**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 infrastructure's growing budget deficit, we risk severely limiting access to jobs, education, and essential services for the very communities that rely on it most.”

- 2) *Who is MTS?* MTDB was created by the Legislature in 1975 through SB 101 (Mills, Chapter 294, Statutes of 1975), for the purpose of planning and implementing transit service in portions of San Diego County. Additionally, MTDB 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 public transit service to the urbanized areas of San Diego County, including 10 cities and a portion of the unincorporated areas of the county, serving about 3 million people with light rail, bus, and freight services. Specifically, MTS provides light rail service on five lines, the UC San Diego Blue, Orange, Green, Copper and Silver Lines with a total of 62 stations and 65 miles of rail. MTS also provides bus service with almost 100 fixed bus routes including local, urban, express, premium express and rural routes, and on-demand paratransit service. Additionally, MTS contracts with the San Diego & Imperial Valley (SD&IV) Railroad and the Baja California Rail Road, Inc. (BJRR) to provide freight service to San Diego shippers. According to MTS, they generate 80 million annual passenger trips. 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) *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, MTS has received \$195 million in SB 125 funds, with an additional \$88 million still to be allocated by CalSTA.

- 4) *MTS is coming back strong but still faces a funding shortfall.* According to MTS, since the pandemic, they have taken steps to improve and optimize transit service. Last year, they recovered more than 95% of their pre-COVID ridership levels, with 81.1 million trips. However, even though MTS has experienced ridership growth since the pandemic, they are still projected to have a structural deficit by 2030. Specifically, MTS projects a funding shortfall of \$37.7 million in 2030, climbing to \$84.1 million in 2031. Loss of farebox revenues, rising workforce costs, higher operating expenses, flat sales tax revenues, and limited local funding are all contributing factors.

MTS has instituted a comprehensive financial sustainability strategy to stave off the fiscal cliff for a few years, including delaying noncritical infrastructure improvements; identifying additional sources of non-fare revenue, such as advertising and property leases; extending timelines for pension bond payments and exploring fare increases. Additionally, MTS is undertaking a Comprehensive Operational Analysis (COA) to analyze services and provide the strategic data necessary for making decisions regarding any major network changes. A COA is a strategic evaluation method used by transit agencies to assess route performance, streamline operations, and align services with community needs.

Finally, MTS is exploring the viability of a local revenue or TUT measure for the 2028 ballot.

- 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. Under current law, MTS also has the authority to impose a TUT for its own service territory, but they have not pursued such a measure.

- 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 MTS 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. 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.

Specifically, 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. 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.

Additionally, 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 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.

To attempt to clear any confusion, last year the Legislature approved SB 512 (Pérez), 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 2484 provides options for a TUT for MTS.* Currently, San Diego County has 14 TUTs levied within its borders—one countywide tax, and 13 city-wide taxes. 11 of these are part of the MTS service territory. The 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%.

AB 2484 allows MTS to impose a TUT that exceeds the 2% statutory limitation. As mentioned above, MTS currently has authority to impose a districtwide TUT tax but has yet to do so. According to MTS, they began the process in 2020 and developed a draft expenditure plan for the revenue. Specifically, the expenditure plan included funding to vastly expand frequencies and span on most MTS bus and trolley routes, free transit passes for youth 18 and under, trolley service to the airport, and numerous transit priority feature on highways, among others. According to MTS, these remain key priorities for any revenue measure.

This bill also specifies that a TUT may be imposed by a qualified voter initiative. As detailed above, current elections law appears to not allow MTS to provide for an initiative process.

Finally, the bill requires MTS to reimburse San Diego County for the incremental costs incurred by the county elections official related to submitting the measure to the voters.

- 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 in support of the bill, Circulate Planning and Policy states, “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.”

Further, “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.”

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.* This bill was double referred to the Senate Elections and Constitutional Amendments Committee, where it passed out on a vote of 4-0 at their June 16, 2026, hearing.

#### **RELATED/PREVIOUS LEGISLATION:**

**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 TUT ordinance on the ballot for

the consideration of SC Metro voters. *This bill is currently 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, Statutes 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-Marin 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.

**AB 805 (Gonzalez, Chapter 658, Statutes of 2017)** – Made changes to the governance and financing authority of the San Diego Association of Governments,

MTS, and the North County Transit District, including requirements for MTS' TUT authority.

**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:**

San Diego Metropolitan Transit System (sponsor)  
California Conference Board of the Amalgamated Transit Union  
Circulate Planning & Policy  
City of Chula Vista  
City of LA Mesa  
City of San Diego Councilmember Raul Campillo  
Councilmember Lee, City of San Diego  
Councilmember Moreno, City of San Diego  
Councilmember Sean Elo-Rivera, City of San Diego, District 9  
Environmental Health Coalition  
IBEW Local Union 465  
Logan Heights Community Development Corporation  
Mid-city Community Advocacy Network  
Mundo Gardens  
North County Transit District  
Office of San Diego City Councilmember Stephen Whitburn  
RideSD  
San Diego City Councilmember Joe Lacava, District 1  
Streets are for Everyone (SAFE)

**OPPOSITION:**

California Association of Realtors  
California Taxpayers Association  
Howard Jarvis Taxpayers Association