
THIRD READING

Bill No: AB 2484
Author: Alvarez (D), et al.
Amended: 5/18/26 in Assembly
Vote: 21

SENATE ELECTIONS & C.A. COMMITTEE: 4-0, 6/16/26

AYES: Wiener, Allen, Cervantes, Umberg

NO VOTE RECORDED: Choi

SENATE TRANSPORTATION COMMITTEE: 8-4, 6/23/26

AYES: Cortese, Archuleta, Arreguín, Blakespear, Gonzalez, Menjivar,
Richardson, Wiener

NOES: Strickland, Dahle, Seyarto, Valladares

NO VOTE RECORDED: Grayson

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 46-21, 5/26/26 - See last page for vote

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

SOURCE: San Diego Metropolitan Transit System

DIGEST: This bill permits the San Diego Metropolitan Transit System (SD MTS) to adopt a retail transaction and use tax (TUT) ordinance by an initiative.

ANALYSIS:

Existing law:

- 1) Provides that the initiative is the power of the electors to propose statutes and amendments to the California Constitution and to adopt or reject them. A state initiative measure must receive a majority of votes cast thereon in order to take effect.

- 2) Permits initiative powers to be exercised by the electors of each city or county under procedures provided by the Legislature. If a majority of the voters voting on a proposed local initiative ordinance vote in its favor, the initiative takes effect.
- 3) Provides that ordinances may be enacted by most districts through the initiative process, with the following exceptions:
 - a) Irrigation districts.
 - b) A district formed under a law that does not provide a procedure for elections.
 - c) A district formed under a law which does not provide for action by ordinance.
 - d) 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.
 - e) A district in which the directors are empowered to cast more than one vote per director when acting on any matter.

The term "district," for these purposes, includes any regional agency that has the power to tax, to regulate land use, or to condemn and purchase land.

- 4) 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. The general tax proposal must 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.
- 5) Prohibits a local government from imposing, extending, or increasing any *special tax* unless it is submitted to the electorate and approved by a two-thirds vote. Any tax levied by a special purpose district or agency is a special tax.
- 6) Establishes the SD MTS and authorizes it to maintain and operate public transit systems and related transportation facilities and services as it deems necessary.
- 7) Permits the SD MTS board to adopt a TUT ordinance applicable to the entirety of, or a portion of, the jurisdiction of SD MTS. The TUT ordinance takes effect at the close of the polls on the day of the election at which the ordinance is adopted by the voters.

- 8) 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.
- 9) Requires a county transportation expenditure plan to be prepared for the expenditure of the revenues for the period during which the tax is to be imposed, and prohibits the plan from being adopted until it has received the approval of the board of supervisors and of the city councils representing both a majority of the cities in the county and a majority of the population residing in the incorporated areas of the county.

This bill:

- 1) Permits a TUT authorized under existing law in SD MTS to be imposed by an initiative.
- 2) Provides a TUT imposed in SD MTS must 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.

Background

Initiatives. The California Constitution guarantees the right of voters to propose statutes and amendments to the Constitution and to adopt or reject them. It also requires the Legislature to provide for initiative powers that may be exercised by voters in cities and counties. 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 other local districts.

Other types of measures can appear on the ballot for voters' consideration. These include referenda, recalls, and measures that a governing body places on the ballot.

Upland Decision. 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 also 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). 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 the California Constitution “does not limit voters’ power to propose and adopt initiatives concerning taxation,” and 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 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 California 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.”

The *Upland* decision 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.

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 seven such cases and have uniformly concluded that the two-thirds vote requirement in California Constitution does not apply to special taxes proposed through the initiative process. In six of those seven cases, the California Supreme Court declined to review the Appellate Court decision. In the seventh case, no review was sought.

San Diego Metropolitan Transit System. SD MTS was created by the Legislature in 1975 pursuant to SB 101 (Mills, Chapter 294, Statutes of 1975) for the purposes of planning and implementing transit services in portions of San Diego County. The agency is also responsible for allocating certain transit funds within its area of jurisdiction.

SD MTS’ board currently consists of 15 appointed members. This includes the following:

- 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
- One by the San Diego County Board of Supervisors.

According to their website, SD MTS currently serves approximately 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 using a fleet with more than 160 trolley cars and 750 buses.

Comments

Author's Statement. “In Assembly District 80 and across San Diego County, the services provided by SD MTS are not optional, they are essential. In Fiscal Year 2025, SD 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.”

District Initiatives. Existing law already provides for an initiative process in some, but not all, districts. State law provides the initiative process is not available in a district “formed under a law that does not provide a procedure for elections.” That being said, the Madera County Transportation Authority became the first special district without a clear exception from the Elections Code to approve a special tax as a majority vote initiative in November 2024.

By providing that voters in these districts may impose a TUT for transportation purposes through the initiative process, this bill seeks to resolve any ambiguity about whether the initiative process is available in those districts for that purpose. It should be noted that this bill does not resolve any existing ambiguity about whether voters in those districts may pursue initiative measures that do not meet the requirements within existing law about special taxes.

Majority versus Two-Thirds. As previously mentioned, 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. An initiative requires a majority vote of the electorate to be approved.

Effective Date. Under existing law for SD MTS, if a TUT is approved by voters, the ordinance takes effect at the close of the polls (8 p.m.) on Election Day. While not directly changed by this bill, the author should consider whether the effective date and time should be changed to when the election results are certified instead of when the polls close on Election Day. Elections results are not typically known on the night of the election and may take additional time before knowing if a measure is truly adopted by voters.

Related/Prior Legislation

ACA 22 (Wicks, Resolution Chapter 132, Statutes of 2026) if approved by voters, prohibits local governments, or their voters via the initiative power, from imposing special taxes unless and until the tax receives 2/3 voter approval. The measure is known as Proposition 43 at the November 3, 2026, statewide general election.

AB 1919 (Pellerin) of 2026 permits the Santa Cruz Metropolitan Transit District to impose special taxes by an initiative.

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 who stated: "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 830 (Arreguín), Chapter 101, Statutes of 2026, prescribed additional administrative parameters for an election for an initiative in the Public Transit Revenue Measure District.

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.

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

SUPPORT: (Verified 8/3/26)

San Diego Metropolitan Transit System (source)
Council President Joe Lacava, District 1, City of San Diego

Council President Pro Tem Kent Lee, District 6, City of San Diego
Councilmember Stephen Whitburn, District 3, City of San Diego
Councilmember Raul A. Campillo, District 7, City of San Diego
Councilmember Vivian Moreno, District 8, City of San Diego
Councilmember Sean Elo-Rivera, District 9, City of San Diego
Amalgamated Transit Union
Circulate Planning and Policy
City of Chula Vista
City of La Mesa
City of National City
Environmental Health Coalition
International Brotherhood of Electrical Workers Local Union 465
Logan Heights Community Development Corporation
Mid-City CAN
Mundo Gardens
North County Transit – San Diego Railroad
RideSD
Streets Are for Everyone

OPPOSITION: (Verified 8/3/26)

California Association of Realtors
California Taxpayers Association
Howard Jarvis Taxpayers Association

ARGUMENTS IN SUPPORT: In a letter supporting this bill, the City of Chula Vista stated, in part, the following:

[This bill] appropriately recognizes that local funding is essential to sustaining and improving transit service. Without additional resources, [SD 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.

ARGUMENTS IN OPPOSITION: In a coalition letter opposing this bill, the Howard Jarvis Taxpayers Association, California Taxpayers Association, and the California Association of Realtors, stated, in part, the following:

[This bill] would make it easier to enact a transactions and use tax in the [SD MTS] (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. As inflation, tariffs, shipping costs, and other factors drive up the prices of goods, the sales tax burden grows in tandem, further straining household budgets and exacerbating economic inequality.

ASSEMBLY FLOOR: 46-21, 5/26/26

AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bennett, Berman, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Jackson, Kalra, Krell, Lowenthal, McKinnor, Nguyen, Ortega, Pacheco, Papan, Pellerin, Quirk-Silva, Ransom, Michelle Rodriguez, Rogers, Schultz, Sharp-Collins, Solache, Stefani, Ward, Wicks, Wilson, Zbur, Rivas

NOES: Alanis, Castillo, Chen, Davies, DeMaio, Dixon, Ellis, Flora, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Irwin, Johnson, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis

NO VOTE RECORDED: Bains, Bauer-Kahan, Boerner, Lee, Muratsuchi, Patel, Petrie-Norris, Ramos, Celeste Rodriguez, Blanca Rubio, Schiavo, Soria, Valencia

Prepared by: Scott Matsumoto / E. & C.A. / (916) 651-4106
8/5/26 15:12:46

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